★ STOCKS STILL TOO HIGH—WHY? ★

The MAGAZINE of WALL STREET

and BUSINESS ANALYST

APRIL 26, 1958 85 CENTS

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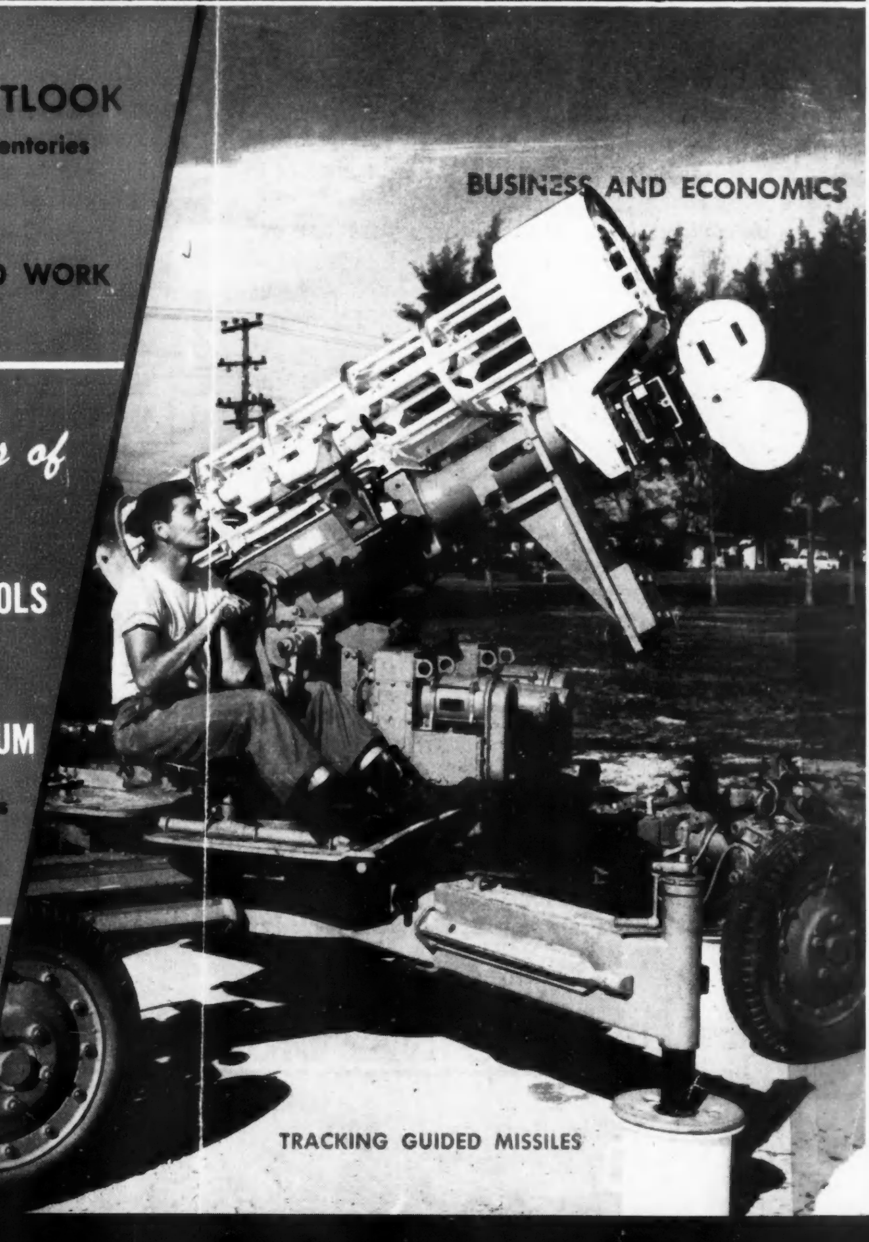

TRACKING GUIDED MISSILES

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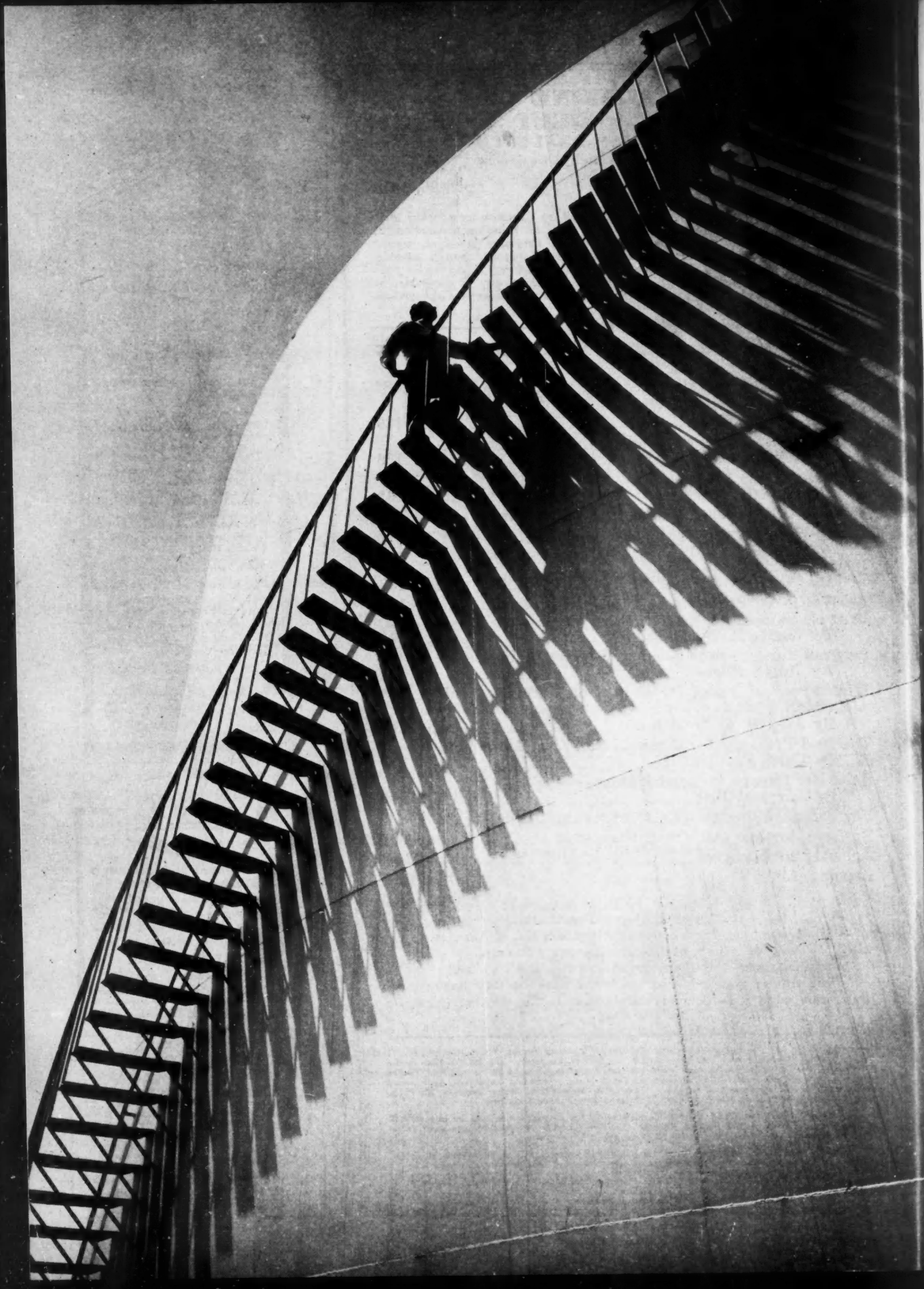

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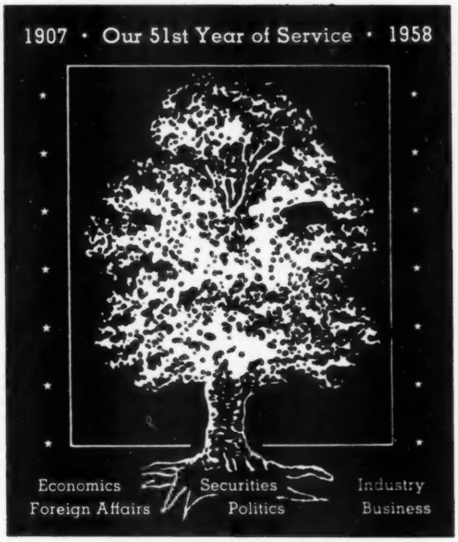
THE MAGAZINE OF WALL STREET

C. G. Wyckoff, *Editor-Publisher*



The Trend of Events

OPPORTUNISM IN RETREAT . . . Unless Walter Reuther can pull something spectacular, not visible on the horizon today, it may be hard for him to avoid "agonizing reappraisal" at the hands of his United Auto Workers. Lost in his bombast of speech and invective is the fact that Walter hasn't been doing so well of late. In fact there is ground for suspicion that the torrent of words and his public brawling with Senator Barry Goldwater was nothing more than a diversionary move.

Reuther has been the demigod not only of his own UAW but also of organized labor in general. Following Beck and Hoffa on the Senate Committee witness stand he looked good. And to his credit (if faint praise may be indulged) he stood up better than most of the big names of unionism that preceded his on the calendar.

In his relatively short but meteoric career since he returned to the United States after his Moscow training, Ruether has been producing for the auto workers. For whatever it means, he got them the Guaranteed Annual Wage; but if it meant what they were led to believe, there hardly could be concern today over the plight of the jobless men in the great auto centers. GAW wasn't shaping up as the panacea that was pictured, so Reuther blared a demand for a four-day week in the automobile industry, with no loss of pay. That, too, sounded good to the card holders. Walter was moving again! That was one year ago. After wringing all the publicity value out of it, sustaining himself as the leader-who-gets-things-done, Reuther dropped the notion stone cold. Five days pay for four days work wouldn't improve the payroll position of any automobile worker; a third day of leisure time each week took on none of the attributes of legal tender. So last year's "big gain" went by default!

And now the fire under Reuther's share-the-profits plan appears to be going out. Just as the four-day week diverted attention away from GAW, the share-the-profit notion blacked out the retreat from the short work-week. No labor boss in his right mind would attempt to scare today's automobile industry with a strike threat as the price of failing to do his bidding.

Customer resistance to gimmicked cars carrying price tags beyond the reach of millions of would-be buyers, have contributed to idling 250,000 automobile and auto parts workers. That's one in each 20 looking for jobs today. For each person directly employed in the industry there is at least one other person whose job depends on normal business in the auto centers. That means half a million idle, plus those indirectly affected. Walter Reuther could harm no group more than his own UAW members by meeting industry's refusal to accept his dictation by striking.

Assuming, as now appears likely, that he will lose his second major endeavor in one year, the question naturally arises: How long can he thrive on failure? When the spring crop of collective bargaining contracts is harvested, the answer might not be too difficult to find.

We call the attention of the reader to our Trend Forecaster, which appears as a regular feature of the Business Analyst. This department presents a valuable market analysis of importance to investors and business men. To keep abreast of the forces that may shape tomorrow's markets, don't miss this regular feature.

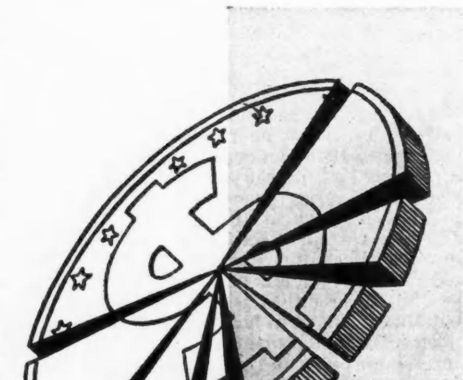
As I See It!

By MICHAEL STEPHEN*

THE FUTURE OF THE DOLLAR?

Rarely has so blistering an indictment of the future of the value of the U. S. dollar been penned as that presented by Franz Pick, renowned currency expert, in a recent analysis: *The United States Dollar—Requiem for a Dead Half.* Pick asserts that "Whenever a currency loses more than half of its value in less than a generation, the unit is doomed. The United States Dollar, in 17 years of unprecedented expansion of the American economy, has declined to less than half of its 1940 buying power. This erosion cannot be halted."

He goes on to conclude that: "Historic precedents of such debasing procedures show—without exception— that every cycle of monetary depreciation accumulates destructive energies, which ultimately lead to confiscatory monetary reforms. Such actions, if limited to a more or less isolated currency area, seldom have worldwide repercussions. But as the American Dollar has become the free world's most recognized monetary measuring rod, its debasement starts to create problems that affect nearly every economy, both within and without the Dollar Area."



Requiem for a Dead Half

In the best of circumstances, such conclusions would be food for serious thought to every American. People need money they can trust, if the economy is to work at optimum levels and living standards are to rise as everyone wants. Currency depreciation creates an atmosphere in which speculators, rather than producers, thrive. Moreover the value of the dollar becomes crucial, in the current competition with Russia for the leadership of the world. If Franz Pick is correct, we have already lost the battle with the Soviet Union. It becomes all-important to analyze the reasoning by which he reaches the gloomy, cynical conclusions which he grants "are not pleasant reading."

Pick starts off his analysis by reference to the official government statistics of consumer prices and wholesale prices which he has converted to a 1940 base. As the following table from his study illustrates, only half the 1940 dollar is now alive; the other half has been killed by inflation. While measurement by the rise in wholesale prices would show a 60 per cent shrinkage in the value of the 1940 dollar, Pick concentrates on the consumer price figures which have not risen as much, "to avoid unnecessarily aggravating the reader."

TABLE I

As Pick points out, this rise in the price level has reduced the real value of all economic magnitudes expressed in current dollars by 50 per cent. He puts the total of all bank deposits at the close of 1957 at \$231.7 billion but shows that this is equivalent to only \$114.6 billion in 1940 dollars. Similarly, total currency in circulation at the close of 1957 amounted to \$31.8 billion in current dollars but only \$15.6 billion in 1940 dollars. The U.S. gold stock was nominally \$22.9 billion at the close of 1957 compared with \$22.0 billion in 1940 but only \$11.2 billion of the 1957 total is really comparable with the 1940 figure when the depreciated dollar is taken into account.

The depreciation of the dollar, Pick points out, has brought about a tremendous transfer of wealth from creditors to debtors, which few people realize. Debts contracted 17 years ago in sound 100 cent dollars are now being paid off or serviced in cheap 49 cent dollars. The debtor pockets the difference; the creditor bears the cost.

Redistribution of Wealth

The biggest single debtor in the world today, the U. S. Government, has been the biggest beneficiary of the depreciation of the dollar. Pick charges that through the loss of purchasing power 147 billion Paper Dollars of debt have simply been wiped out with "advantages for the government but none for the owners of such securities." In such circum-

***EDITOR'S NOTE: — We know of no one who is better qualified than Mr. Stephen, who is an outstanding financial expert, to review and analyze Franz Pick's bombshell.**

stances government obligations are not "securities." Indeed, they might better be called "jeopardies," as a famous financier described common stocks after the 1929 crash. Pick goes so far as to call government obligations "certificates of guaranteed confiscation."

The benefits of debt reduction by inflation are, of course, not confined to the Federal Government. To point this up, Pick's study includes the following table, showing selected types of debt in 1940 and in 1957, with an alternative measure of 1957 debt in 1940 dollars:

TABLE II

On the other side of such computations are the millions on millions of individuals who find their life insurance not sufficient to cover the needs for which they purchased it, the uncounted numbers of individuals who find that years and years of saving leave them still unable to finance planned outlays at the new high price levels, and the millions and millions of pensioners for whom old age has become a frustrated, penny pinching existence in which once adequate pension benefits no longer cover daily needs.

All of this needs saying badly and cannot be said often enough. Mr. Pick, with his colorful, incisive style says it particularly well and his study deserves attention on this basis alone.

Inflation Hedges

There is not much that can be done to protect oneself against currency depreciation, according to Pick. Putting savings into assets such as cash, bank deposits, life insurance policies and annuities, savings and loan shares, bonds and other fixed interest obligations is simply putting money into forms which will erode with the depreciation of the dollar. Bonds and fixed interest obligations have the additional drawback that not only will the dollars in which the bonds are repaid be worth less than the dollars that originally were invested but the investor may well get back a smaller number of dollars than he originally paid if interest rates rise and he has to sell his bonds before maturity. Bonds sold to yield 3 per cent naturally fall in price when new bonds are being sold to yield 6 per cent.

TABLE II

TOTAL PUBLIC AND PRIVATE DEBTS IN THE U.S.
(Billions of Dollars, At End of Year)

	1940 Dollars	1957 Paper Dollars	1957 In 1940 Dollars
Currency Circulation	$ 8.7	$ 31.8	$ 15.6
Federal Debt	50.9	275.0	134.8
State & Municipal Debt	16.5	46.7	22.9
Corporate Debt	75.6	436.5	213.8
Life Insurance in Force, Less Reserves	101.8	385.0	188.6
Individual and Non-Corporate Debt	53.0	221.0	108.3
Pension Funds, Annuities, etc.	2.0	12.0	5.9
Miscellaneous	3.0	12.0	5.9
	$311.5	$1,420.0	$695.8

TABLE I

PURCHASING POWER

YEAR	Based on CONSUMER PRICES	Based on WHOLESALE PRICES
1940	100.0	100.0
1941	94.8	89.9
1942	85.4	79.6
1943	80.6	76.3
1944	79.2	75.6
1945	77.5	74.3
1946	71.5	62.5
1947	62.4	53.0
1948	58.0	48.9
1949	59.1	51.5
1950	58.0	49.6
1951	53.6	44.5
1952	52.5	45.8
1953	52.1	46.3
1954	51.9	46.3
1955	52.0	46.2
1956	50.4	43.9
1957	49.0	43.1

While paintings and antiques may serve as good inflation hedges, they are only for the expert who knows what he is buying and can forecast trends in popularity and critical acclaim. Jewelry "is not a good hedge"; as the cost of labor going into ornaments will rarely be recovered when the object is sold. Diamonds would serve better but their retail price is generally at least twice the dealer's value. Gold would serve well too but purchases ordinarily would have to be made in amounts far beyond the reach of the little man, and under current regulations, held outside the United States.

A surprising conclusion is that "common stocks seldom are real hedges against monetary depreciation" on the grounds that choosing appropriate stocks is difficult and, in general, beyond the reach of the average investor. It might be objected that the Dow-Jones average of industrial stocks, even at its current depressed level, is still more than triple its 1940 level and thus would have fully protected against the depreciation of the dollar. In addition the investor would have had 17 years of dividend income in the interim to spend or to reinvest.

Some Questionable Points

But these are minor disagreements. Where one can take issue with Pick is in his interpretation of the shrinkage of the dollar and his forecast of the economic consequences.

Pick correctly argues that the 1940-57 increases in bank deposits, currency circulation, gold stock and gross national product are 50 per cent fictitious because of the decline in the value of the dollar in which we measure these magnitudes. He goes on to point out that the population of the United States rose from 132.1 million in 1940 to 172.8 million in 1957. Thus all of the economic quantities mentioned are now spread over a far greater number of people. The gross national product, for example, was $100.6 billion in 1940 and $433.0 billion in 1957. Correcting the 1957 figure for the decline in the purchasing power of the dollar reduces it to $212.2 billion. Dividing GNP by the population in 1940 and 1957 gives a real GNP per capita figure of $762 in 1940 and $1,228 in 1957, a reduced but still healthy increase.

Pick finds reason for
(*Cont'd. on page* 176)

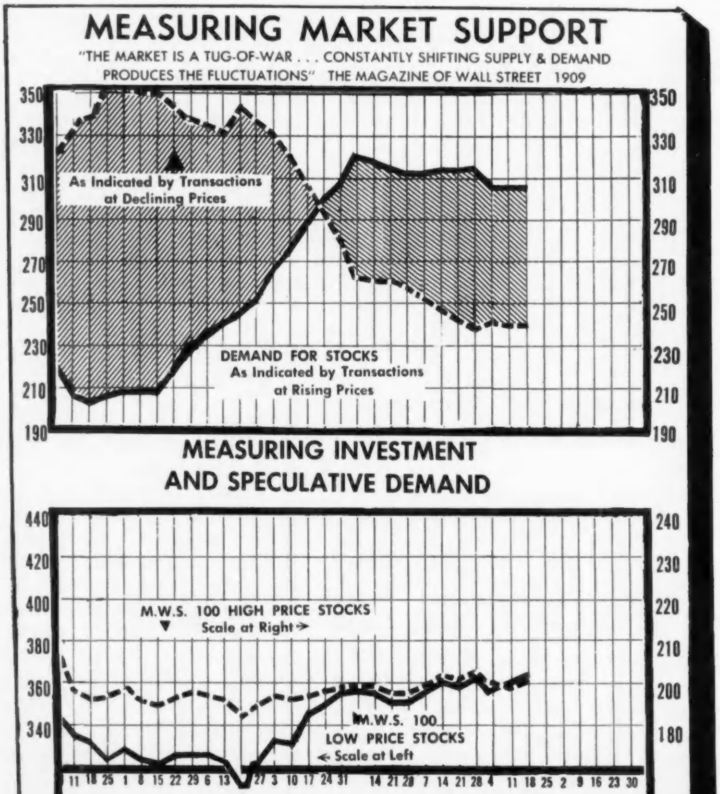
Stocks Still Too High—Why?

Good income stocks have a basis for strength. Otherwise, recent improvement in the market can probably be credited to the questionable emphasis on long-term inflation, technical factors and hope of Government action to help the hard-pressed railroad industry. In most key industries the profit outlook remains poor. Hold to a conservative policy.

By A. T. MILLER

This remains a stronger market for utilities and other income stocks, with the Federal Reserve's recent additional money-easing moves on the constructive side. It is still essentially a trading-range market for the industrial and rail averages. Particularly for industrials, the cross-currents largely reflect divergences in profit trends and prospects. Many stocks with satisfactory-to-good earnings are holding up well or pointing upward. Where large first-quarter profit shrinkages have been revealed, most of the affected stocks are around or close to their 1958 lows; and some have recently fallen to new lows for this year or longer.

With the range of the averages relatively narrow in 1958 to date, the technical factors continually shifting and market sentiment blowing alternately hot and cold, comment on minor price swings can possibly be outdated in a short while—but the fundamentals do not change from week to week. A downside test was in progress when our last previous analysis was written a fortnight ago; but after erosion of prices for some days to April 7, another rally developed, principally last week under speculative rail leadership.

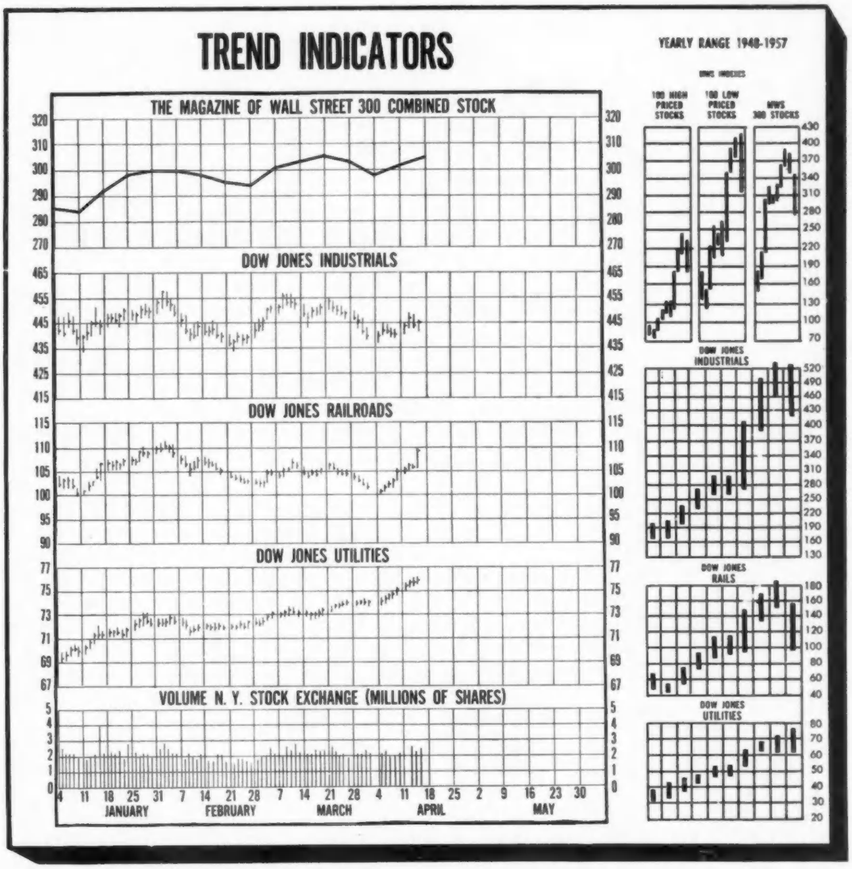


The Immediate Picture

The rally could peter out promptly or be moderately extended. Either way, adequate basis for any important advance by the industrial and rail averages cannot be cited; and it remains problematical that their prior lows made adequate allowance for the shrinkages in earnings now in progress and the dividend cuts to come in the months ahead. While people harp on long-term inflation and long-pull growth – often the same people who were talking about "postwar depression" back in 1947-1949 when stocks were cheap – the actual problem confronting us is deflation.

To date the industrial average still shows a succession of lower and lower rally tops since early February, despite its recent 2.1% rebound. Rails are nearer the top of their 1958 range, due to a 9.5% upswing since April 7 following the irregular sell-off of about 10% from their February 4 recovery high. The rail spurt, no doubt facilitated by a good deal of short covering, is credited to hopes for Congressional action which may in some degree ameliorate some of the basic problems of the industry. It might be a good idea to keep your fingers crossed on this and not

indulge in wishful thinking. What the railroads most need right now is improvement in traffic; and it is not in prospect, at least for some time to come.



It seems to be the popular assumption that we are certain to have more long-run inflation, and that it guarantees ultimately higher prices for "good" stocks. In the first place, stock values hinge primarily on earnings, which are determined by supply-demand factors and operating costs. In recent years earnings have been squeezed by cost inflation; and now, with many products having been priced out of the market, they are being squeezed more by sales deflation.

In the second place, ideas as to what is a "good" stock change markedly over the years and even from year to year. Regardless of the postwar inflation, several hundred "Big Board" stocks, including a number of prominent names, are now under their best levels reached as far back as 1946; and around 150 issues are at levels some 50% or more under their 1946 tops. Inflation does not simplify the problem of profitable stock selection.

In the third place, whether there is more inflation ahead and how much, are "iffy" questions. More and more people are fed up with seeing their dollars lose purchasing value. Hence, there is no great public clamor for massive Government "pump priming" or tax cutting. This explains the present more sober mood of both the Administration and Congressional leaders, as regards these matters. There is also growing opposition by employers, and in public opinion, to the harmful, obviously unsound cost-boosting policies of the labor-union monopolies.

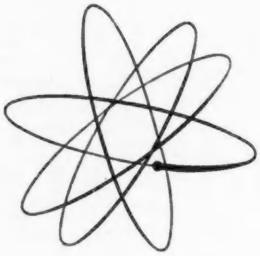
Some Mistaken Notions

Since many people have mistaken notions on this subject, brief citation of the facts of what has heretofore happened to the dollar is in order. It was highly stable in value throughout the boom years 1923-1929, but of course prices fell sharply, to deeply-deflated levels in the great depression. Thus, the purchasing value of the 1933 dollar was a third more than that of the 1923-1929 dollar. Much of the price rise in the early New-Deal years was a normal rebound. Despite continuing deficit financing, the dollar did not have any significant net change in annual average value over the five years 1936-1940. The 1940 dollar was still worth some 17% more than the 1923-1929 dollar, as measured by the living-cost index. It was not until well along in World War II that the gap was extinguished. In short, it took the vast deficit financing of the war, plus the war's major supply-demand distortions, to cut the dollar's value by 1947, after the lifting of price controls, by some 23% under that of the 1923-1929 dollar.

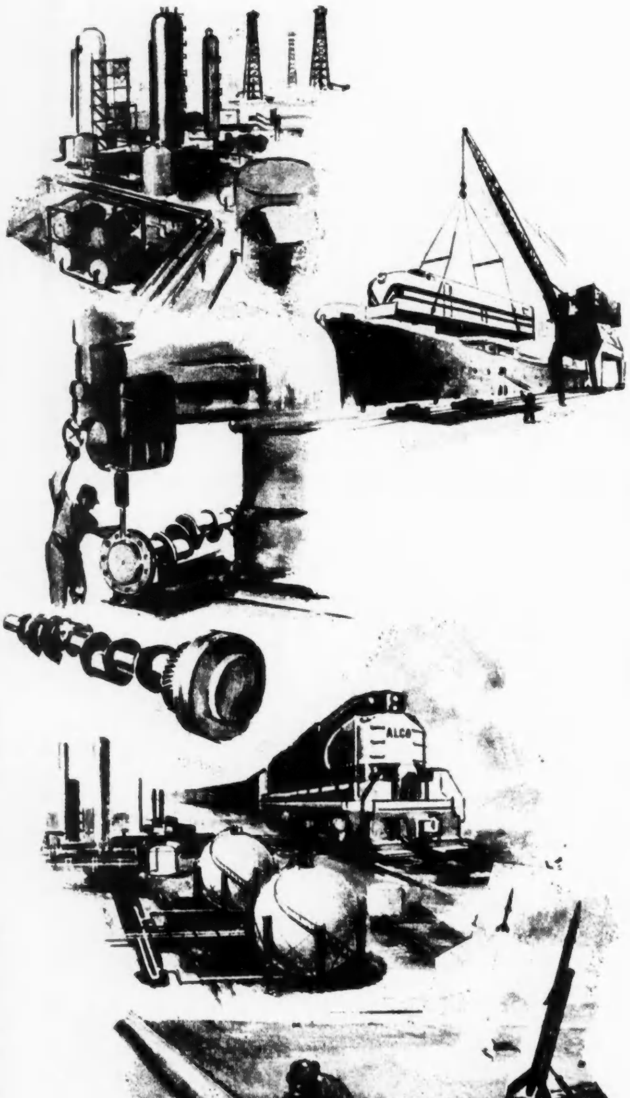
The next sizable bite out of the dollar was due to the Korean War's deficit financing and supply-demand distortions. Since 1952, the further depreciation of the 1947-1949 dollar has been a little over 6 cents. That is due to (1) the catching-up in some cost-of-living items which normally change with a considerable time lag, notably rents and services, and which now probably are bumping the ceiling; 2) excessive wage boosts, facilitated by an unprecedented capital-goods boom which also created supply-demand distortions; (3) an abnormal expansion in consumer installment debt, especially in 1955; and (4) recent temporary rises in food prices, due largely to weather and other transient factors.

Regardless of what the Government does or does not do, the next capital-goods boom and the next consumer durable-goods boom are now too distant for serious consideration. If there should be another war—perish the thought—it could be so destructive that it would be vastly deflationary, rather than inflationary for business and securities. To sum up, the present threat of future inflation might be decidedly exaggerated.

No level of corporate earnings now foreseeable for a year or more, would justify a return of the industrial average to the excessive 1956-1957 triple-top around 521. Yet, if it got back there, the rise from here would be only (*Please turn to page* 176)



GAUGING SECOND QU



✓ BY BACKLOGS
✓ NEW ORDERS
✓ INVENTORIES
– INDUSTRY BY INDUSTRY

BY HAROLD M. EDELSTEIN

WITH the poor first quarter of 1958 behind us, it is imperative that basic economic indicators be placed in perspective so that some idea of when, and how, the economy will begin its recovery can be ascertained. One thing is readily apparent, however, and must be borne constantly in mind; before business can turn upward it must stop receding, and so far the trend, though arrested slightly, is still downward.

This has special significance for investors, since earnings, and the consequent dividend action of corporations will depend not so much on how the company fared in the poor first quarter, but on how prolonged the recession is likely to be. Companies in all but the most volatile industries prefer to maintain stable dividends. But in view of the cash problem of many domestic concerns, it is probable that payments will be pared relatively quickly if the economy fails to show distinct signs of recovery by the end of the second three month period.

In assessing the state of the economy it is important to dig through the profusion of government and private statistics to get at those vital elements which past experience shows to have the greatest predictive value. In our highly industrialized society these boil down to three key factors: manufacturers' new orders, inventories and backlogs. Others, such as unemployment may make sensational headlines but they have little analytical value. For one thing the current figure of 5.3 million unemployed is an estimate based on some pretty shaky statistical reasoning. For another, the various technical definitions of unemployment are too confusing for most people not familiar with them. But aside from the semantic problem there is the one of perspective. The current figure does not represent a jump from zero unemployment, but rather from an irreducible base that is usually estimated at about 3 million.

What is of real significance in the unemployment figures, however, is that a disproportionately large share is confined to the durable goods industries—and in the United States durable goods carry equal economic weight with soft goods. In 1957 for example, total sales of soft goods manufacturers were

QUARTER OUTLOOK

$170.7 billion, while durable goods producers reaped $169.9 billion in sales revenues.

Because of its vital importance, therefore, the key to business activity in the next several months will rest with the durable goods sector of the economy. Fortunately this is one area in which statistics are readily available and published frequently. In using them, however, it is well to recognize that aggregate figures cover a multitude of industries, often with widely divergent trends. As we wend through the inventory-new orders-backlog picture, these differences will be pointed out to show which industries are still going down, those that appear to have bottomed out, and those that have already begun to recover.

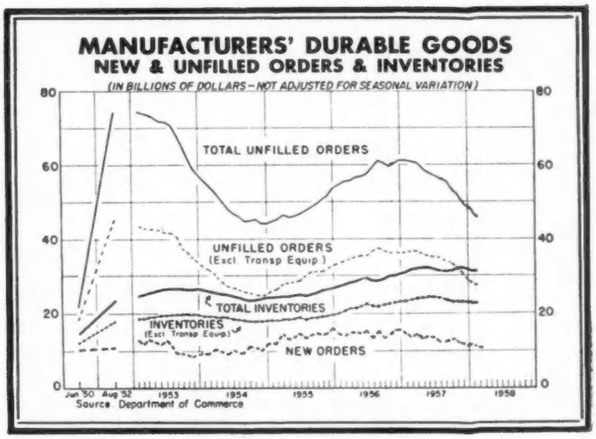
Ratio of Inventories to New Orders

In any short term analysis of economic activity, industry's inventory picture must be taken into important account, since the decision to accumulate or liquidate stocks has a vital bearing on new orders. Of special significance, however, is the position of finished goods inventories, since an involuntary pile-up of goods ready for sale is bound to lead to production cutbacks until the shelves have been at least partially cleared. In this connection it is interesting to note that despite the inventory paring that has been in progress since November 1957, overall inventories are still relatively high, while stocks of finished goods are at a postwar peak. For durable goods producers, for example, new orders have declined so sharply that finished goods inventories through January (the last month for which full figures are available) worsened, as is demonstrated in the table below. Table 1 shows the extent of the build-up in finished goods inventories for durable goods producers, in relation to incoming

TABLE 1

	Finished Goods Inventories (Billion $)	New Orders (Billion $)	% Fin. Goods of New Orders
Dec. 1956	9.2	14.54	63
Jan. 1957	9.2	14.17	65
Feb. "	9.3	14.10	66
Mar. "	9.4	13.85	68
Apr. "	9.4	13.23	71
May "	9.6	14.11	68
June "	9.7	13.25	73
July "	9.8	13.00	75
Aug. "	9.8	13.16	75
Sept. "	9.8	12.51	78
Oct. "	9.9	12.15	82
Nov. "	9.8	12.43	79
Dec. "	10.0	11.58	86
Jan. 1958	9.9	10.57 (p)	94

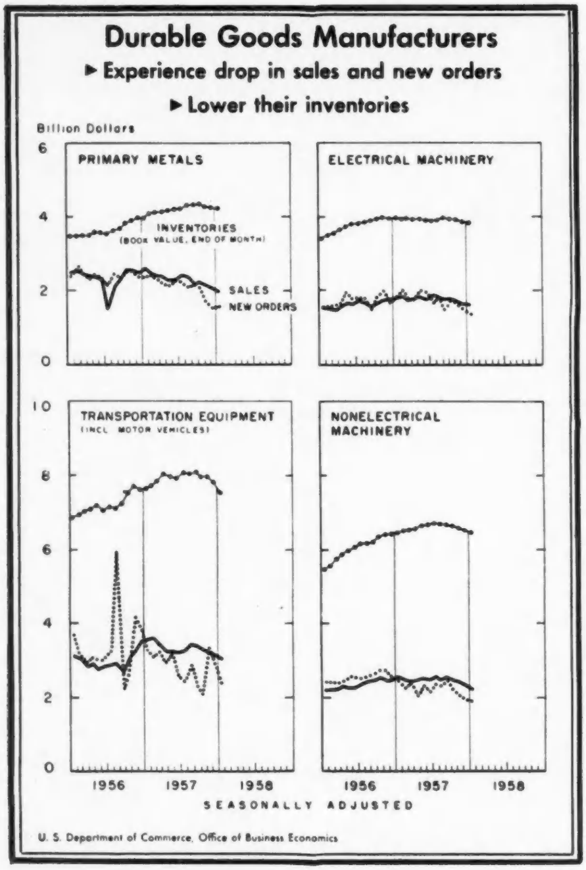
(p) preliminary.



It is apparent that in January, finished goods inventories almost equalled incoming orders. The only things that can logically make this ratio improve are either a decline in inventories, a pick up in new orders, or a combination of both. One thing stands out glaringly in the compilation, however. Despite the attempts to liquidate inventories, the ratio became more unfavorable with each passing month last year, and the process continued into early 1958. Unless a sharp reversal occurred in February and March (and this is doubtful on the basis of other business statistics) it is improbable that industrial production will show much improvement before midsummer at the earliest. For past experience with these ratios shows that even when this finished goods—new order ratio declines, it takes several months before production begins to swing upward. On the other hand, should the ratio continue to mount despite liquidation attempts, further production curtailments may have to follow.

Inventories and Sales

The inventory picture in relation to sales is no more encouraging. In periods of "normal" business, inventories usually approximate two months sales. In previous post war recessions they jumped to 2.27 months in October 1949, and to 2.33 months in December 1953. Recently, however the figure has mounted rapidly. In November 1957 inventories equalled the December 1953 figure, and by February 1958 inventories had climbed to a post-war peak of 2.48 months. Thus despite the impression that inventories are being liquidated, their position in relation to sales actually deteriorated through the first two months of the year. Measured this way,



Take the shipbuilders for instance. Despite a world wide slowdown in shipping operations, backlogs at the yards are still relatively strong, and sufficient to carry most major companies at least into early 1960. Nevertheless, there have been some important changes in the last few months. At the end of 1957 there were 93 commercial vessels on order in American yards, compared with 84 a year earlier. Since then however, 14 tankers have been cancelled and the tonnage requirements have been lowered on several others. One buyer cancelled an order with Bethlehem for two 65,000 ton tankers and replaced the order with two 40,000 tonners. In addition, Bethlehem is reported to have lost one of its huge 106,000 ton tanker orders. Other builders are up against the same situation. Newport News Shipbuilding had at least three 41,000 ton vessels cancelled and has halted work on one 65,000 tonner. But despite these adverse factors, backlogs of naval work are still high for most companies and the period ahead should not be trying.

Electrical Equipment Backlogs in Good Shape

The most favorably situated of the major industrial groups are the heavy electrical equipment manufacturers. Through the early part of 1957, orders for heavy generating equipment were strong. Later in the year there was some slowing down in the rate of new orders, but not of serious proportions, and General Electric, Westinghouse and Allis-Chalmers all report their backlogs in good shape. Moreover, despite the general cutback in capital spending, the utility industry still plans to spend 8 per cent more this year on expansion than it did in 1957. To make the picture even more pleasant, it is expected that utilities will spend 20 per cent more for generating equipment than they did a year ago, and in 1957 generating equipment accounted for 50 percent of all utility capital outlays.

In line with the in- (*Please turn to page* 171)

inventories may have to decline considerably more than they have so far to complete the adjustment. To date, they are off about 5 per cent since November when large scale liquidation began. By contrast the nine month adjustment in 1949 came to 15 per cent, and even the milder 1953-54 cutback amounted to 10 per cent.

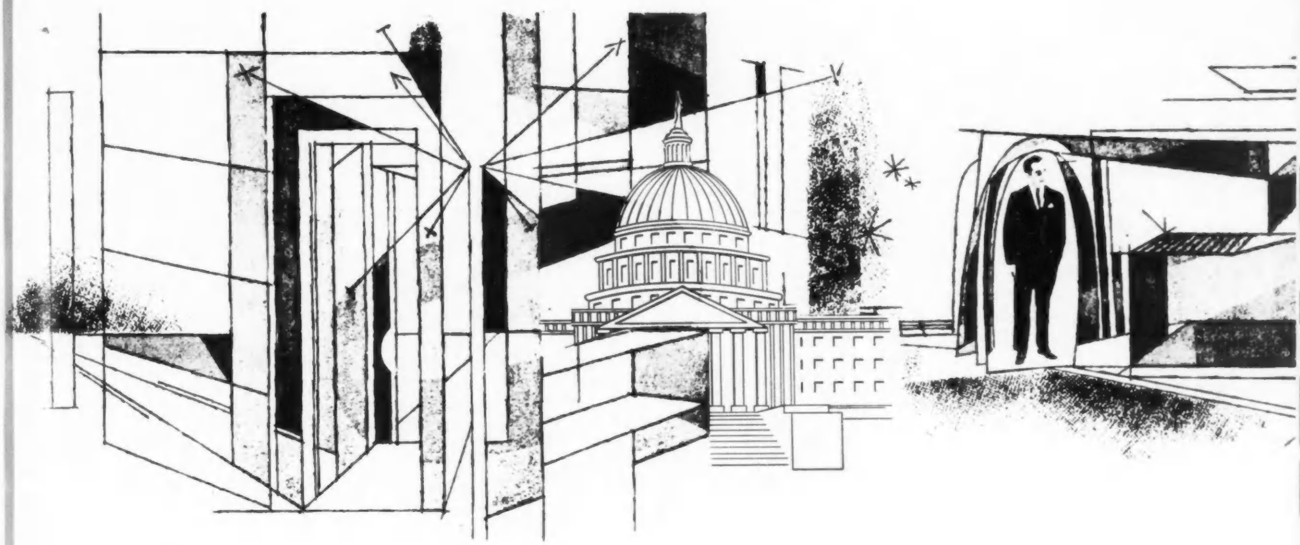
Backlogs and Levels of Production

With inventories so heavy, current operations are likely to be curtailed with a resultant decline in orders for raw materials—although the probability is good that the coming of spring and early summer may bring a leveling off. Until a pickup does come, however, the level of output in many industries will depend on the size and nature of company backlogs. Where output is concerned with quickly made products, backlogs get eaten away in short order, but where production cycles are long term, more stability of operations can be expected. Of course, the possibility of cancellation must also be considered, so that in a recession all backlogs take on a tentative nature.

Table 2.—Manufacturers' Sales, Orders, and Inventories

	Changes, January 1957 to January 1958			
	Sales	New orders	Unfilled orders	Inventories
	(Percent)		(Billions of dollars)	
ALL MANUFACTURING	–12	–16	–15.0	.5
Durable goods	–15	–25	–14.5	[1]
Iron and steel	–21	–32	– 2.0	.3
Nonferrous metals	–29	–35	– .5	[1]
Fabricated metals	–13	–19	– 1.2	–.1
Electrical machinery	– 9	–25	– .6	–.2
Machinery, except electrical	–13	–22	– 2.9	[1]
Motor vehicles	–22	–24	– 1.6	–.1
Other transport. equipment	– 4	–35	– 4.7	[1]
Other durables	–15	–24	– 1.0	.1
Nondurable goods	– 9	– 8	– .4	.5
Food and beverages	– 4	......	......	–.1
Tobacco	6	......	......	–.1
Textiles	–18	......	......	–.1
Paper	– 8	......	......	.1
Chemicals	– 7	......	......	.2
Other nondurables	–13	......	......	.5

1—Less than $50 million.
Source: U. S. Department of Commerce, Office of Business Economics.



Let's Break the Log-Jam—

TO PUT BILLIONS AVAILABLE TO WORK

BY JAMES J. BUTLER

At the half-way mark of the session, Congress is veering away from the legislative tranquillizers that allayed the depression problems of a quarter of a century ago, only to leave the patient addicted to the pep pills of pump priming at the first signs of economic distress.

What is ahead now is the prime question in Washington as the law-makers return from an Easter vacation devoted to soul-searching and, unless all polls miscarry, an accelerated course in economics, which adds up to tax reduction only in case things begin growing real black—and "made work" two months after that hour has arrived if conditions are even darker.

It requires no mathematical genius to figure that a tax reduction cannot produce Federal revenue in equivalent or greater amount; if \$2-5 billion is left in the hands of those who earned it, there is no magic that can convert that into \$5-10 billions of spending money and Federal revenue. Yet the latter figure approximates what must show up in the next few months, from one source or another.

Impossible? Not at all. But to achieve increased purchasing power Congress must abandon the theories which sufficed a quarter-century ago. The available method is acceleration of Government programs already authorized, many of them adequately funded to cushion the new slide—some of them fairly dripping in surpluses which could be put to work with alacrity, to the advantage of all.

Congress should move at once to break the log-jam that is holding an estimated \$70 billion out of service. It should close down antiquated commissions and agencies, many of them forgotten but still costing money to maintain. And it should move forward with the sound legislative program on which it has embarked and on which progress is being made, despite criticisms that are being heard.

Under the prodding of the White House and with reasonable cooperation from the Democrats on Capitol Hill, Congress can ride through the recession and come out without serious scars. It can do so without leaving a legacy of back-breaking taxation to other years, or huge public works projects which will be burdening the taxpayers for a decade after the need has gone. It doesn't involve lots of new money; it contemplates wisely using the money appropriated in other years. It needs planning and house~~keeping~~. It is up to the President to insist that the agencies provide both.

(Clearing)

~~Understanding~~ Government Jargon

One of the things needed for better grasp of the Federal Government's present spending potential is agreement on definition of words. "Balance on hand" at the end of a fiscal year has several meanings, some of them suspiciously convenient. That is true of

"committed funds" and "obligated funds"; there is a third category with no fixed label—dollars held in reserve for programs, nebulous or firm.

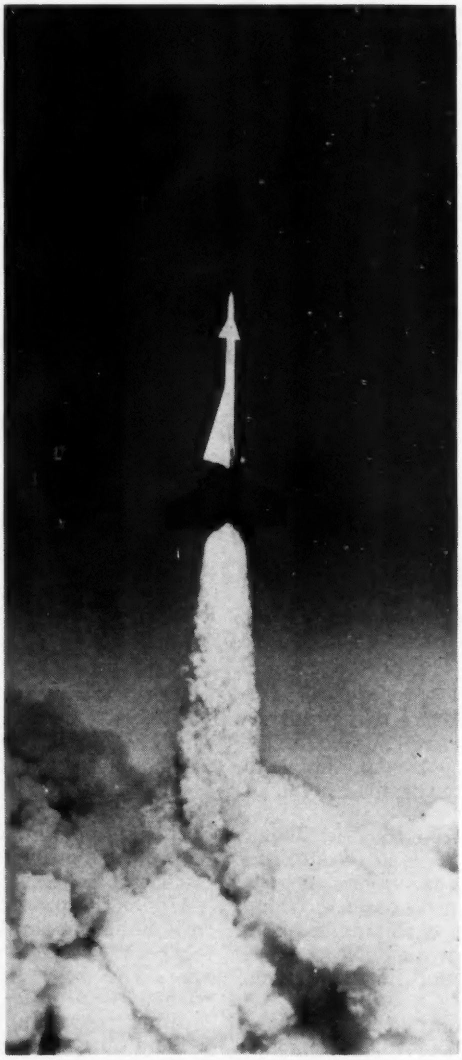
The President's budget used the expression "Balances of *appropriations* carried forward at end of year." This year's edition carries the report back to Fiscal 1953, when the "balance" brought forward was $78.4 billion; on June 30, 1954, it was $67.8 billion; on June 30, 1955, it was $52.1 billion; on June 30, 1956, it was $46 billion; on June 30, 1957, it was $43.7 billion; the estimate for June 30 of this year was $40.1 billion, and President Eisenhower estimated, last January, that the fiscal year ending June 30, 1959, will see a balance of $39.9 billion. Those figures should be read in the light of the Executive Department's definition which considers "obligated" or "committed" funds to be in flow, not in "balance."

The Pentagon—Funds Available and Spending Plans

Accepting the broader definition which, after all, reflects money (wherever appropriated) that can be spent, it is reckoned that the Pentagon alone still has between $30 and $40 billion of money appropriated in other years. It is asking about $40 billion for next Fiscal Year (beginning July 1). The cost will be even higher. Pending before Congress, and certain of adoption is a military procurement augmentation program which seeks $1.5 billion in additional funds to step up and expand some high priority activities. Much of the work is of a classified nature, but the larger items are a matter of public record. They include: Nike-Zeus, $175 million; Polaris, $323.5 million, B-52, KC-135, $423 million; space projects $140 million.

In addition to the Defense balances, there is an estimated $5.1 billion in the Mutual Security Administration accounts as a carryover from other years. This is made up of $3.4 billion earmarked for military aid and $1.7 billion in the economic aid department.

The Pentagon money, like foreign aid funds are largely subject to de-obligation. It frequently happens. The ever-changing science of weaponry necessitates shifts, some of which remove the "obligated" stamp from billions and make available money that might otherwise remain in the pipelines for 3-6 years awaiting deliveries whch have long "lead tme." Some examples may be helpful:



Missiles get increased share of defense funds.

1. Expenditures in 1959 for missiles, for nuclear-armed or nuclear-powered ships, for atomic energy, for research and development, and for science and education will increase more than $3 billion over 1957 FY, which ended a few months before Sputnik.

2. Over this same period, spending for other military equipment and aircraft of declining importance will decrease about $1.5 billion. Resources will be directed to highest priority needs rather than adding new programs to old ones. Here is the chance to put money in motion!

3. More than 75 per cent of the total procurement funds in 1959 will go for new types of equipment which hadn't been developed or weren't in production quantities as recently as 1955.

4. Almost 50 per cent of the missile program for 1959 will be for five longer range ballistic missiles: Atlas, Titan, Thor, Jupiter, and Polaris. Only one of these was past the technical study stage three years ago; in 1953, only $1 million could be spent on longer range missiles. By last year, $1 billion—1,000 times as much—was spent on them.

It will be seen that this is not a sudden development which would make it necessary to mark time until spadework is in and experiments move ahead. The Pentagon is in a position now to take advantage of successful developments without a waiting period.

Of the contemplated $4 billion expenditure for mutual assistance, 75 per cent is for military hardware and support of armed forces other than our own.

Getting the Money

The question frequently arises: How can huge new military procurement programs be undertaken in the light of a recession which is immediately reflected in Treasury income? The answer lies with the White House and Congress. Some things are being done economy-wise. Congress has an Administration-backed proposal before it to strengthen controls in the appropriation and use of available funds. This would be accomplished by placing a limitation in each appropriation on the amount of goods and services that could be received under that fund in a given year.

But the economy program has certain limits: In the past five years, Federal civilian employment was cut by a quarter-million. There still is room for the shears, but possible payroll savings lie in the thousands, not in the billions. The President has recommended several steps which could meet the challeng-

ing growth of defense costs at existing Federal tax levels: transferring responsibilities to the states, reducing subsidies, and encouraging private rather than Federal lending. Altogether, Ike has made 17 proposals to reduce expenditures or to increase receipts. Three of them deal with programs where shifting emphasis or changing needs are lessening future requirements for specific types of Federal assistance: agricultural conservation, grants for hospital construction, and veterans' pensions.

These will need the cooperation of Congress. So, too, will proposals involving six grant programs for which the administration recommended increases in state and local participation, and a decrease in the Federal proportion, but with no reduction in the total combined outlay. States also would be asked to bear a larger share of the costs of public assistance, urban renewal, schools in federally affected areas (new or larger military installations increasing school population), and for natural disaster relief. When it is shown that $1 out of each $5 involved in a joint Federal-State venture is lost through middleman costs of administering the pact, a 20 per cent true cost reduction comes into view.

The President has asked Congress to cooperate to increase revenue receipts in areas other than taxation. Postal rate boost of $700 million annually is in sight, with $175 million flowing at once into job-creating post office modernization including a building program. Next are the interest rates in Federal credit programs. The Government lends money at a rate below what it pays to borrow the same amount. For programs under which the Government guarantees loans made by private lenders, interest rates should be upped high enough to attract private lenders—Congress willing. The President has asked authority to vary the rates for guaranteed or insured loans in line with market conditions.

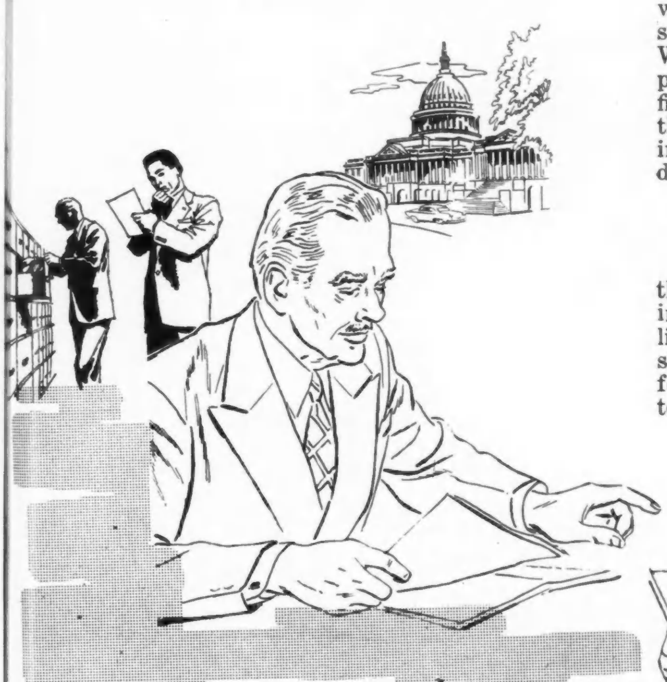
It is not possible to develop methods to overcome depressed conditions by a choice among tax reduction, made work, government economy, White House and agency actions, or Congressional ukases. All must be blended. In addition to legislation awaiting action and broadened plans for procurement in the new fiscal year, some steps have been taken to effect cures NOW. The Federal Reserve authorities have eased credit and increased the supply of money. Highway construction, urban renewal, and other activities are being moved ahead. Several steps have been taken by Congress and the President to stimulate home building. Work on construction of needed facilities has been started ahead of schedule, such as on water resource and reclamation projects. Repair and modernization of Federal buildings is underway. These are things that can start quickly, not mark time over extended periods. They point the way to speed-up in the larger areas of procurement—where billions are idling on a timetable drawn for less urgent times.

Speed-up — Now

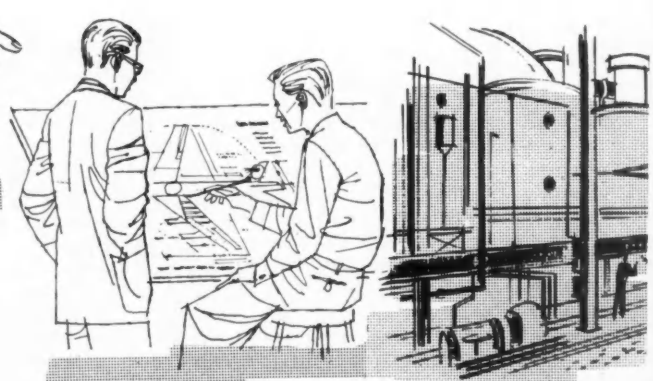
Normally a speed-up and resultant reduction in cash reserve might be opposed on the theory that we would come into the final weeks of the fiscal year staring at deficits and deficiency appropriations. With government operating costs 'way above expectations, deficit already is accepted: in the current fiscal year it could be at least $1 billion higher than the $400 million "red ink operation" that appeared in January. If tax collections continue to decline, the deficit will increase in proportion.

New Splurge on Public Works Not the Answer

Maurice H. Stans, Director of the Budget, made this pointed comment: "Just last year, we moved up into a $70 billion budget, and there was a great public outcry. Now with the programs Congress is considering we are threatened with $80 billion budgets for the next few years, which could well mean extended deficit spending."



Acceleration of Government programs already authorized, plus implementation of sound legislative course, can enable us to ride out the recession and recover without a legacy of back-breaking taxes and public works.



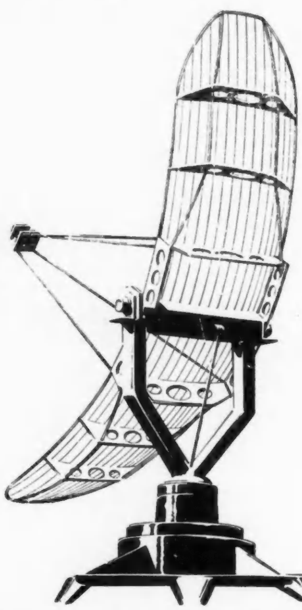
In an accompanying remark, Stans totally rejected the notion of beating back the recession through a vast public works program. He said: "It takes a lot of time from the initial stage of planning to the point where spending is actually taking place on a construction project. In fact, the normal pattern is for only 7 to 10 per cent of the total cost to be spent in the first year. So what we get from these slow-moving projects are bigger budgets later on when that may be the last thing we want."

If history's lessons are given weight, the story will argue against "made" work. The depression of the 30's was the only one of the last seven business contractions that lasted more than 18 months and the only one that deteriorated from recession to depression. And it was the only one fought with huge public works programs.

There is a fundamental difference between starting from scratch with "made" work projects, as was the case 25 years ago, and today's approach which is to accelerate delivery on programs already authorized and planned. The latter are in motion; there is no delay at the starting gate.

The President, throughout, has been a steadying influence. He has refused to be panicked into the "easy way out", the components of which are the following proposals now before Congress:

1. A five-year $14.2 billion Federal public works program, authorizing starts on $2.8 billion in projects after July 1.
2. A $2.5 billion loan program for construction of local pub.ic works and community facilities.
3. A $500 million supplemental public works program.
4. An increase in grant authorizations for civil airports from the $63 million level of recent years to $100 million a year for four years.
5. A program of aid to depressed areas providing $250 million in loan funds and $50 million in grants.
6. A $600 million increase in highway funds for 1959.
7. A $1,850 million housing credit program.



Radar detectors assume new importance as sleepless sentinels, searching the skies to warn us of missiles or aircraft that may herald an enemy attack.

Most of those bills have Democratic sponsorship. But it is noteworthy that Majority Leader Lyndon Johnson's program steers clear of tax reduction or public works, except as last resorts. In other particulars his 10-point legislative chart rather closely parallels the President's. It doesn't mention federal aid to schools, aid for "depressed areas", and some other costly ventures. Coincidentally or otherwise, the President's program doesn't include the huge classroom program, and many of the welfare state notions which appeared in surprising number in his earlier messages, are missing.

Cooperation on the legislative program enabled Congress to leave a commendable record when its members went home for Easter. They had passed one appropriation bill (Treasury and Post Offices) and had moved several others varying distances along the hearing route toward floor action. They had increased the debt limit, voted authorization to speed up national highway building, moved postal rate legislation almost to the point of enactment. Equally important to what Congress did was the tacit shelving of health insurance, aid for depressed areas, and other bills in the area of "welfare legislation" and log-rolling.

Available Billions to Fight Recession

Senator Harry F. Byrd has estimated that the 1959 fiscal year budget deficit will reach $7 billion, without taking into consideration new pump priming proposals involved in submitted legislation. Add to the Senator's figure the total of those bills (roundly $6.5 billion), and the aggregate still is less than one-half the amount of unobligated Pentagon funds, not to mention the mutual security money which is at, approaching, or far from the pipelines, or to count on sums appropriated for Interior Department reclamation projects which might be moved up in point of time.

Obviously where work is "obligated" on the books of an agency but no wheels are turning, it is no less helpful in meeting present-day needs than if the money weren't available; if the wheels are turning less rapidly than they would if the "sense of urgency" were controlling the operations, the loss becomes a matter of degree. For instance, the Department of Interior which has charge of reclamation projects expects to come into the new Fiscal Year, July 1, with a quarter-billion dollar balance on hand, $214 million of which is obligated and $34 million unobligated.

The President's Message to Congress, submitted January 13, estimated departmental over-all balances at the beginning of the next fiscal year, about 10 weeks hence, at $69.2 billion. Of this amount, the President said, $37.9 billion will have been obligated and $31.3 billion will not.

The Bureau of the Budget estimates that the Department of Defense will begin the next fiscal year with $23.5 billion committed, and $7.7 billion not obligated, for military purposes. Additionally it will have civilian works funds of $165 million and $109 million, respectively, in the two categories.

The Atomic Energy Commission will have $1.2 billion committed and $65 million not earmarked, when its new appropriation becomes collectable.

Money *appropriated* to run the government in the current fiscal year, and not subject to reversion to the Treasury is expected by the Budget Bureau to total $29.8 billion in obligated funds and $8.9 billion in unobligated funds.

Other fund sources which will show balances are:

Authorizations to expend from debt receipts: $6 billion obligated and $15 billion unobligated; contract authorizations, $434 million obligated and $1 billion unobligated; (*Please turn to page* 174)

Where Sales of Large Blocks Have SIGNIFICANCE FOR INVESTORS

BY EDWARD T. JOHNSTON

IT IS always something of a shock to an investor to read the announcement that some holder is disposing of a large block of a stock in a company in which he has a commitment. This news sets him guessing as to *who is selling* the stock and *why!* Doubts crowd in, and this anxiety and uncertainty in the mind of the stockholder becomes a market factor of considerable importance.

It is natural to be concerned when large holders in companies in which they are shareholders are disposing of sizable blocks. Yet there are other considerations outside of company prospects that make secondary distribution desirable. After all, this type of distribution is exactly like any other security transaction, in that for every seller there are buyers.

Among the many reasons for liquidation are such necessitous sales as settlement of an estate—contemplated retirement—gifts to relatives and future heirs—the need for raising cash for taxes. Also, there is the logical desire for diversification, in order to keep an investment portfolio in balance—to cite some of the more common cases for secondaries.

Corporate Secondary Distributions

Here too there are many reasons for secondary offerings. One may be for the purpose of strengthening liquidity by sale of outside holdings—another in order to divest themselves of holdings alien to their fields—or to dispose of securities representing a section of industry that has stopped growing or indicates a declining trend.

An illustrating example of the latter is Gulf Oil's sale of its holdings in Texas Gulf Sulphur about a year ago, if we are to judge by the subsequent decline in the price of the shares, the reduction in the dividend and the general uncertainty of the sulphur market that followed.

Another instance is the recent 130,000 shares secondary in Chrysler, which was sold by the Massachusetts Investors Trust, one of the country's largest open-end mutual funds. In this case, the

trust had purchased 30,000 shares during the fourth quarter of 1957, but there was evidently a change of mind among the trust managers in the light of the uncertainty in the automobile industry, and the trust reversed itself and sold its entire Chrysler position in April.

To M.I.T. this was a caluculated risk representing one of the many risks that M.I.T., with its billion dollars of assets, assumes each year—for, as in every other business organization, not all transactions turn out profitably—but what counts is that at the end of the year profits far exceed losses.

Reviewing Major Secondaries

Among the more recent secondary offerings, the block of 267,678 shares of **General Motors** was one of the largest. This offering was made at a price of 34 in mid-February, when the general market was somewhat lower than at present. It was apparent at that time that the immediate outlook for the automobile industry was becoming less favorable. However, although retail sales of new cars were disappointing in March, the price of General Motors stock is currently about 36 or 2 points above the price at which the secondary offering was sold.

Another example among recent offerings in the secondary market is the 225,000 shares of **Merck & Co.** sold at 48 on March 24. At that time, the market in general was a little higher than at present, yet the price of Merck & Co. has since advanced about 1 point. Although this is a leading company in the chemical and pharmaceutical field, the drugs look tired at the moment, after a large advance in price.

Again, among more recent offerings, 170,000 shares of **American Can** were sold in the secondary market at 44 on March 6. Since then the company has issued $80,000,000 of 30-year 3¾% debentures. While half this sum refunded bank loans, the remainder were new fixed charges, which have prior claim on earnings ahead of the common shares. For the year 1957 earnings declined moderately to $2.72 per share from $2.92 for 1956. Quarterly reports will indicate the degree to which stability will be maintained in 1958.

On the other hand, there is the recent offering of 100,000 shares of **Johns-Manville** at 37⅞ on March 5, with the stock currently selling at about 35. In this instance, the seller has not obtained any great benefit to date. However, a smaller block of 21,000 shares was sold in the secondary market at 46⅞ last July 31. The seller of that block, for whatever his reason, obviously saved himself a 12 point decline in this stock. As in the case of other leading companies in the building industry, Johns-Manville has been adversely affected by the current lower level of residential construction. For the year 1957, earnings declined to $2.48 per share from $3.50 in 1956. It is conceivable that the seller of the stock last year may have foreseen the lower level of earning power. As to the larger block of stock offered in March, it is possible that the owner was in a position to estimate first quarter earnings. Recently, the company reported earnings of 27 cents per share for the first quarter of this year, representing a shap decline from the 41 cents a year ago. On the other hand, in this case as in others, the seller of one or both blocks of stock may have had a personal reason for disposing of his shares. Therefore, no firm conclusion can be drawn from the market action of this issue since the sale or sales were made.

At this point, it may be of interest to comment on two large secondary offerings of oil stocks. On January 29, 98,000 shares of **Texas Co.** were sold in the secondary market at 61¼ or about the same figure as the current price of the stock. It has been clear to all who followed the oil industry that, in recent months, oil supplies have exceeded demand. In some areas, there has been price weakness. For the year 1957, Texas Co.'s earnings rose to $5.94 per share, as against $5.51 for 1956. However, all indications point to lower earnings in the first quarter of this year. It can be surmised that the seller of the stock in January was aware of the temporary over-supply situation in the industry.

However, it may be pointed out that last August, 40,000 shares of **Standard Oil of California** were sold at 58, or 10 points higher than the current price of the stock. This is also one of the leading and best managed companies in the industry. Earnings for the year 1957 amounted to $4.56 per share, compared with $4.24 for 1956. In this instance, too, current earnings are probably at a lower level. Again, no hard and fast conclusion can be drawn from the sale of these two blocks of oil stocks—except that the market appeared too high in the light of the outlook.

Finally, we may consider the two large offerings in the secondary market of **International Business Machines** last July. One offering of 14,600 shares was sold at 358, or about 10 points higher than the current price of the stock. The other offering of 15,500 shares was sold at 342, or somewhat lower than the current price. This leading company should continue to do well for, with the bulk of its revenues obtained from rentals and services, it possesses a strong factor which lends considerable stability to its business. For the year 1957, earnings increased to $7.73 per share, from $6.55 in 1956, after adjustment for the 2-for-1 stock split-up of May 1957. Recently, the company reported a rise in earnings for the first quarter of this year to $1.98 per share, from $1.58 a year ago. With the March 10 payment, the quarterly dividend was increased from 60 cents to 65 cents per share. At the current price, the stock yields less than 1%. Nevertheless, the company's outlook for continued growth appears to be favorable. The seller of the stock may have had any one of many reasons in liquidating.

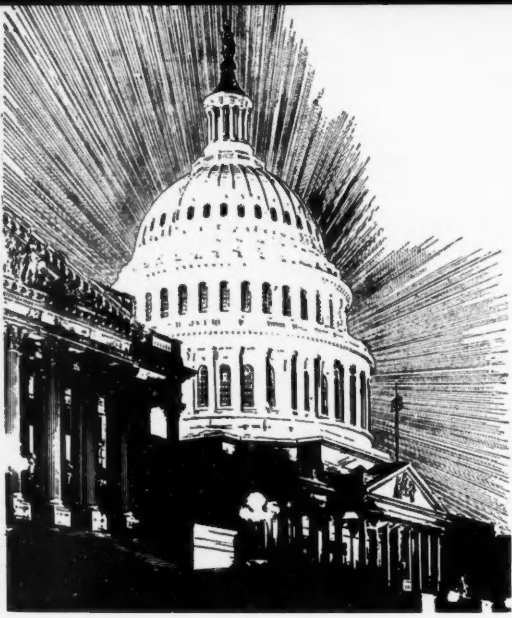
The latest offering, on April 9th, was the 100,000 shares of **Food Fair Stores** sold in the secondary market at 44½ or approximately the current price of the stock. The company has enjoyed a long record of growth in past years. However, more recently, earnings have shown a tendency to level-off, notwithstanding further gains in sales—reflecting various factors, such as expenses of new facilities, rising costs and competitive conditions. For the fiscal year ended April 30, 1957, earnings amounted to $2.62 per share, as against $2.68 for the year previous. The latest earnings, for the 40 weeks ended February 1st, were $2.18 per share compared with $2.02 a year ago. The annual dividend rate is $1.00 per share in cash, supplemented by small stock dividends. Thus, the price-earnings ratio is relatively high and the yield is low. The seller or sellers of 100,000 shares may have had this in mind,—and related it to the company's position as compared with other companies in the field.

Major Secondary Stock Distributions				
Date Offered	**Name of Stock**	**Number of Shares**	**Price Sold**	**Recent Price**
1957				
April 8	Texas Gulf Sulphur	1,200,759	28⅞	18
June 5	Ingersoll Rand	19,000	85	77
July 1	Sunray Mid-Continent Oil	74,450	27	23
July 11	Olin Mathieson Chemical	164,478	60½	34
July 15	International Business Machines	14,600	358	348
July 17	Olin Mathieson Chemical	70,000	57¼	34
July 23	International Business Machines	15,500	342	348
July 30	Dow Chemical	30,000	62⅝	55
July 31	Johns-Manville	21,000	46⅞	35
Aug. 5	Standard Oil of California	40,000	58	48
Aug. 8	H. J. Heinz & Co.	32,000	49⅜	51
Aug. 27	Walt Disney	400,000	21¾	20
Sept. 10	Foremost Dairies	200,000	16	17
Sept. 18	National Steel	103,500	67	47
Sept. 19	Halliburton Oil	70,000	64¾	50
Sept. 30	Hooker Electrochemical	191,400	24½	25
Oct. 29	American & For. Power	185,000	11¾	13
Nov. 26	H. J. Heinz	59,934	45	51
1958				
Jan. 15	National Steel	30,000	52	47
Jan. 29	Texas Co.	98,000	61¼	62
Febr. 5	Borg Warner	87,779	28½	28
Febr. 17	General Motors	267,678	34	36
Febr. 25	Douglas Aircraft	100,000	55½	57
Febr. 25	U. S. Gypsum	65,000	61½	73
March 3	Transamerica	75,000	37	38
March 5	Johns-Manville	100,000	37⅞	35
March 6	American Can	170,000	44	45
March 6	Caterpillar Tractor	42,000	60¾	56
March 24	Merck & Co.	225,000	48	49
March 26	Illinois Central	123,000	30½	30
April 2	Chrysler	130,000	47¾	47
April 9	Food Fair Stores	100,000	44½	45

A further example of a large offering of a block of stock, at a price about the same as the current quotation, is the 87,779 shares of **Borg-Warner** sold on February 5th at 28½. This leading company has diversified activities in the automotive, appliance, air conditioning, avation, electronc and other fields. In recent years, earnings have been in a moderately declining trend–amounting to $3.82 per share in 1957, $4.01 in 1956 and $5.17 in 1955. This has been due, at least in part, to highly competitive conditions in some of the company's activities. Further, the company may lose much, if not all, of its Ford transmission business at the end of this year. Again, current conditions in the automobile and appliance fields are depressed. With the February 1st payment, the quarterly dividend was reduced from 60¢ to 50¢ per share. Obviously, the seller of the block of stock may have felt that the near-term outlook for the company was clouded, regardless of its longer term prospects. If later events should justify such an opinion and if this was the reason for the sale, his judgment may prove to have been wise. On the other hand, the stock is currently selling at about the same price as at the time of the sale, as stated, having already declined from a 1957 high of 46, representing a depreciation in value that reflected at least part of the unfavorable factors in the picture.

We may comment briefly on the March 6th secondary offering of 42,000 shares of Caterpillar Tractor at 60¾. The current price of the stock is about 56. The company is a leading producer of crawler and wheel-type tractors, earth-moving machinery, Diesel engines and electric generator sets. It's record of growth over the years has been outstanding. However, earnings for the year 1957 declined to $4.32 per share, from $6.08 in 1956. For the first three months of this year, earnings declined drastically to 35¢ per share from $1.60 a year ago. This may have been due to a combination of factors, such as temporary saturation of the market for tractors, rising costs and competitive conditions in the industry. The company has paid dividends in every year since 1925. Recently, notwithstanding the indicated decline in earnings, the regular 60¢ per share quarterly dividend has been declared payable May 10th. The stock has already declined from a 1957 high of 99½ to a current price of about 56. The seller of this block of stock may have been motivated by the company's near-term outlook, or by the recession in general business, or by one of various other reasons. No definite conclusion can be drawn from the fact that he sold his stock. Nevertheless, the sale should be given consideration by the cautious investor who now holds the issue.

Finally, we may consider the large secondary offering of 191,400 shares of Hooker Electrochemical common stock at 24½ last September 30th. The current price of the (*please turn to page* 175)



Inside Washington

By "VERITAS"

INVESTMENT per production worker rose at a record $1,200 annual rate in the first half of 1957 and if labor scale committees wish to question the figure at the bargaining tables, the source is Internal Revenue Service data. There was a rise of 7 per cent in investment, and a 2 per cent reduction in number of workers. IRS has comparable data for several major industries: petroleum, tobacco and chemical industries top the listing, with apparel, leather, lumber, furniture and fixtures below the median. Since 1948 only five industries have had a continuous rise in per worker capital investment: stone, clay and glass; tobacco; printing and publishing; petroleum; non-electrical machinery. All other groups declined at least once.

WASHINGTON SEES:

By proposing a Pentagon reorganization plan at a time when defense appropriation bills are pending and foreign aid is being more critically scrutinized than in past years, President Eisenhower is putting his military leadership on the line with obvious awareness that the result could relegate to ceremonial status, the title "Commander in Chief."

Ike is the first professional soldier to be both a combat and a Constitutional Commander in Chief since President Ulysses S. Grant, Civil War leader of the Federal forces who left the White House in 1877 after two terms.

President Eisenhower is justifiably proud of his military record and status. Opposition to the Pentagon reorganization plan on Capitol Hill has roused his fighting spirit as nothing else has during his White House tenure: he has contended for, debated in favor of, and steadfastly urged, other parts of his programs. For this one he is ready to fight! And it is obvious that he must fight. The opposition sees in the recommendation the material from which military "czars" are constructed; Congressmen profess to see their prerogative to appropriate tax money being taken from them.

The alternative to Ike's plan is to knock Pentagon heads together. Unification of the military forces exists on paper only. The rivalry that is present isn't a healthy one. As a Commander, Ike knows three jealous entities working at cross purposes cannot win a war, or a peace.

MATERIALS research to find substances which can withstand terrific temperatures is a major project for the aircraft and missiles industry and a 10-year period of concentration is projected. First objectives will be directed toward improvement in fabrication of air-hardening stainless and alloy steels, and heat-treatable "straight chrome" stainless. Also ranking high in laboratory priorities are adhesives, sealants, rubbers and elastomeric polymers, insulation materials, coatings, and oil, grease, and fluid. To spread the costs of research, new techniques will be sought in forging, casting, machining, extruding and other operations.

CONGRESS has taken off on one of its periodic anti-trust law-strengthening binges. A House committee is investigating the 1956 consent decree signed by Western Electric Co., and American Telephone & Telegraph Co. Rep. Emanuel Celler, committee chairman, professes to see signs of "influence" at work to save the companies from going to trial and permitting them to enter into consent judgment. The record shows that the Department of Defense, through its General Counsel, recommended to the Justice Department that trial be avoided, and the suggestion was echoed by Charles E. Wilson, then Defense Secretary, who linked his interest to "defense."

HIGHUP on the list of legislative "possibles" is the Senate Bill to strengthen the Clayton Act by requiring companies with combined assets in excess of $10 million to give the government advance notice of planned mergers. Also involved are legal provisions empowering the Federal Trade Commission to obtain court injunctions to prevent scrambling of assets in mergers prior to Commission findings of fact. The bill has bipartisan backing and White House blessing. It would give FTC some concurrent jurisdiction with the Department of Justice and would circle crowded calendars.

As We Go To Press

▶ Nothing short of a zooming economic upturn can prevent the democrats from reaping political gain from the recession. The republican leadership admits the demmies have carried through a line of strategy which, from a partisan standpoint, can't be beaten: Under the direction of Majority Leader Lyndon Johnson of Texas, the democrats have introduced or have joined in sponsorship of every recovery scheme within the reach of Congress. This includes tax reduction, deferment of tax collection, public works programs, accelerated spending under the current budget and in anticipation of the next one, and tributary bills of all description.

▶ If the Administration were to go along with all or a major part of the Johnson program, a deficit of historic proportions would result. And it would be an Eisenhower Administration deficit! If the republicans refuse to join in they are certain to be charged with heartless disregard, do-nothingness, and be called the party of depression. If the GOP remains steadfast in the conviction that things will straighten out, the recovery is not likely to be fully realized until too late to be reflected in the November election. The White House doesn't intend to wait that long. Alternative is to adopt some methods on which the democrats have priority in point of date of introduction.

▶ More pressing national and international considerations have shunted aside, but haven't killed off, the fight over "modern republicanism." An important nucleus is being created in the vote-important states of New York, New Jersey, and Pennsylvania. The organization that Bernard Shanley created to serve him in his quest for the senatorial nomination in New Jersey is joining with Nelson Rockefeller's group in New York, and Harold Stassen's Pennsylvania support to form a national convention delegate strength that might write the 1960 GOP ticket. With some additional adherents — not many would be required — control would be there.

▶ Shanley is an Eisenhower Republican. Whether he's a Nixon man is something else again. Rockefeller is suspected of a divided loyalty, if it might be called that. And Stassen is still in favor of dumping the Vice President in 1960. The fact that he throws in with Shanley and Rockefeller is significant. Ike still is a "Nixon man." Obviously his influence when the chips are down at the convention will be less than that of party leaders who must bear the burden after the Eisenhowers make Gettysburg their permanent residence. It is not even certain that Ike will fight for Nixon's nomination. His views on interference in political matters are firm, and recorded: He doesn't impose it, doesn't accept it. It may be argued that it wasn't needed at the time, but it is no less a fact that he did nothing to stop Stassen's assault on Nixon's political existence two years ago — right up to the eve of nomination!

▶ Opposition to a five-year extension of the trade agreements act has been suspiciously inactive, insofar as surface signs go. But Congressmen detect signs that the opposers are just beginning to roll. One of the first salvos was loosed by The American Tariff League: the figure of 4.5 American jobs dependent on foreign trade has been traced to its source and ATL informs Congress it is a projection of estimates made by the Bureau of Labor Statistics in 1952 and evidently not questioned since then, nor brought up to date. Furthermore, it is contended, the 1952 study used 1947 data in surveying non-farm employment linked to export trade only. Suggested for study are later data which indicate that exports increased 32 per cent between 1947 and 1956 and 10,600 fewer jobs depended on this trade.

▶ Until now, those in favor of extending the Hull Act have held the center of the stage. Despite the fact that they have had Congress' ear without weakening

debate, it is a fact that the lawmakers are not fully convinced that the agreements deal should be continued for five years, instead of the usual three, or that the President should have more power over tariff than ever before. There is strong sentiment for giving him less. Those facts being a matter of record, the suggestion that 1.4 million workers may have their jobs at risk — not 4.5 million — is causing Congressmen to sit up and take notice.

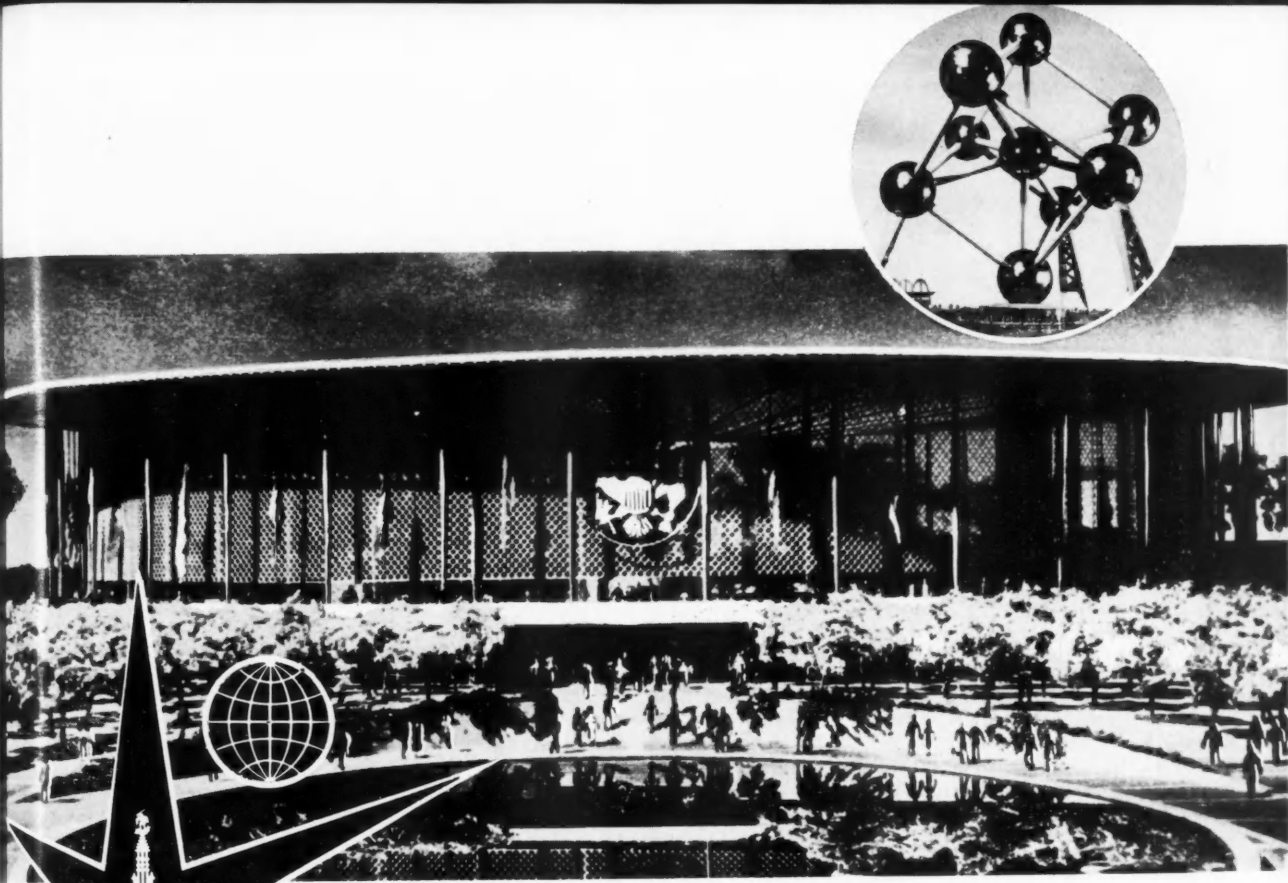
▶ Teamster Boss James Hoffa is beginning to shed the cloak of piety in which he wrapped himself to gain what must be considered a provisional Presidency of the huge union. He has told teamster locals to re-examine union security and hiring agreements to see whether they are in violation of NLRB rules — but, Hoffa instructed the locals: "You are reminded to exercise extreme caution in giving any information or statements to field examiners or other representatives of the Labor Board who come in to investigate against unions. No local union official or member is obliged by law to give any information or make or sign any statement at the request of any representative of the Labor Board."

▶ This action was prompted by a letter sent by Jerome D. Fenton, general counsel of the National Labor Relations Board, advising of his intent to apply the so-called Brown-Olds remedy wherever illegalities are determined. Unions have until June 1, 1958 to erase illegal deals. The Brown-Olds remedy stems from a two-year old case involving a company by that name, in which NLRB announced penalties would apply against any union found to be a party to an illegal union-security clause. Not only would the union be required to reimburse for lost back wages any person who had been illegally discharged for non-union membership, but the order would require a union to return to its general membership all dues, initiation fees, assessments, fines, etc., which members paid to a union during existence of the illegality.

▶ In such a case, refunds would cover a period of six months preceding the date of filing of charges. How many such situations exist, and where, is something that can be discovered only as cases are filed. But it is obvious that Hoffa isn't ready to vouch that his locals are clean. When an employer bows to the force of a union and requires that a new employee join a union and remain in good standing as a condition of continued employment, he violates the Taft-Hartley Act. In such a case, the employee pays initiation fees, dues, assessments and other exactions for which he is not legally liable. Upon complaint to NLRB he will win an order for refund of all he has paid in. That would let the union off lightly. But the order also requires that all collections made during the term of the agreement be repaid, and NLRB will police to see that this instruction is carried out. It could bankrupt offending locals. That's why the teamster boss ordered a "clam up" and reference of the cases to the legal eagles at national headquarters.

▶ Recommendations from the Department of Commerce, based on its independent studies but related to testimony received at hearings which began Jan. 13, will weigh heavily in steering legislative aid for railroads. But the outlook for the rails isn't rosy: when the Senate Interstate and Foreign Commerce Committee closed its transportation hearings, Chairman George Smathers admonished the railroads that government action alone cannot restore them to economic health. It will require, the Florida Senator said, more than outside ministrations; it demands "a strong will to health and an aggressive spirit to compete in the struggle for existence."

▶ The committee heard testimony from representatives of railroad management, motor carriers, airlines, water carriers, shippers and user groups. State and Federal regulatory agencies also made their contributions. Spokesmen for the rails concentrated principally on the following remedies, most of them needing legislative or regulatory changes: Repeal of federal excise tax on transportation; transfer to ICC of authority to discontinue unprofitable passenger service where state PUC permission now is required; repeal or narrowing of the agricultural commodities exemption from normal tariffs; permit rate-making without reference to effects on other modes of transportation; more liberal depreciation allowances; higher user charges on other systems of transport.



The large circular United States Pavilion, made of plastic and gold-finished steel.

BRUSSELS FAIR— SHOWCASE FOR THE WORLD

A first hand report on the genius and talents of the best brains of all nations — their science — their products — their way of life

BY D. D.

DATELINE: BRUSSELS. Although the accent of the Brussels Universal and International Exhibition officially is upon social progress, although its administrators have frowned upon anything tinged with too much commercialism, actually American business will benefit considerably over the long run from the World's Fair which opened last week.

As this reporter discovered during a special preview visit for THE MAGAZINE OF WALL STREET, nonconformity is the prevailing spirit of the strange and exciting community that in a little more than a year has sprung into existence on a 494-acre plateau four miles from the heart of the city. Because there are so many exhibitors, because each participating nation is eager to put its best foot forward, the top brains in the world have been asked to contribute their advice and talents.

Consequently, the Fair abounds with architectural innovations, unusual and daring use of construction materials and dramatic display techniques. Many of these experiments will be refined and adapted by industry. In addition, the serious visitor can acquire valuable information on new products, manufacturing methods, nuclear energy application, automation, chemical discoveries, transportation achievements and other scientific advances. The Fair thus serves as a clearing house for ideas that have been developed on the drawing boards and in the conference rooms and laboratories of many countries. Its influence will be felt in the business world for many years to come.

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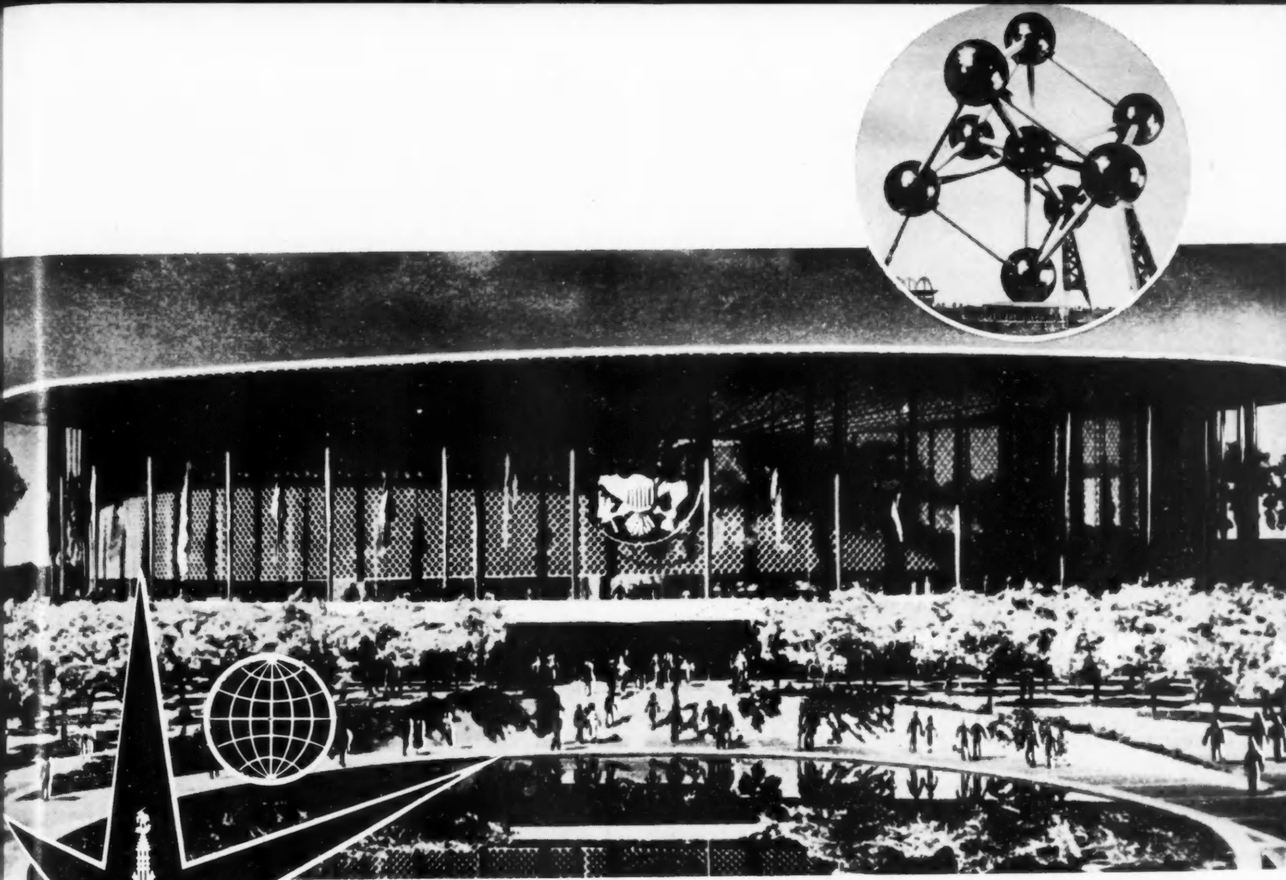

The large circular United States Pavilion, made of plastic and gold-finished steel.

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Consequently, the Fair abounds with architectural innovations, unusual and daring use of construction materials and dramatic display techniques. Many of these experiments will be refined and adapted by industry. In addition, the serious visitor can acquire valuable information on new products, manufacturing methods, nuclear energy application, automation, chemical discoveries, transportation achievements and other scientific advances. The Fair thus serves as a clearing house for ideas that have been developed on the drawing boards and in the conference rooms and laboratories of many countries. Its influence will be felt in the business world for many years to come.

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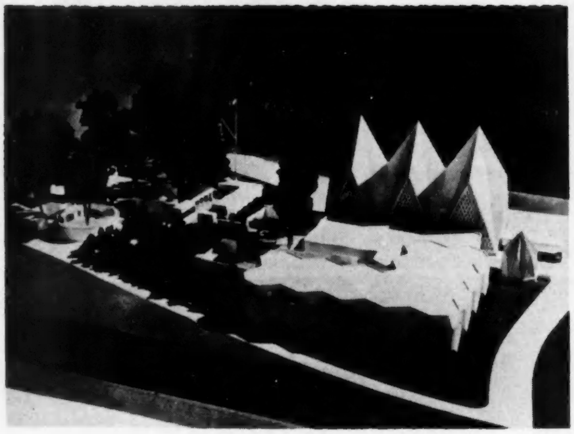
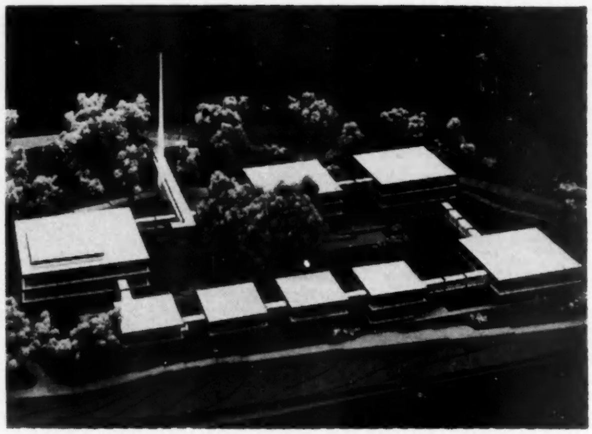


The British exhibit is housed in a number of attractive pavilions of original design.



The German (Federal Republic) exhibit is housed in eight pavilions connected by a covered footbridge.

extremely enthusiastic about it. There are two reasons for this. For one thing, the glittering gold pavilion, which is as wide as Rome's Coliseum and is the largest free span circular building in the world, manages despite its size to be elegant and graceful. In contrast to the Russian building, which looks like a large factory and is just about as hospitable as one, our building radiates friendship and cordiality.

We Emphasize The Human Side

For another thing, inside the spectacular drum-shaped structure, with its honeycomb walls and translucent roof, the emphasis has been on cultural and human values. Instead of overwhelming (and perhaps antagonizing) others by concentrating upon our industrial and military might, we have taken a more relaxed approach. Whereas the Russians have boasted of their jet planes, derricks and sputniks, we have played up aspects of everyday life and the freedom of choice that distinguishes our economy.

This freedom of choice is apparent in the Streetscape—a row of typical American stores—which is an excellent way of showing the abundance and variety of consumer goods we produce. Windows are dressed and changed by Macy's, Filene's, Bergdorf Goodman's and FAO Schwarz. In the same section is a typical American drugstore, complete with operating soda fountain, and a newsstand that includes many business and trade publications.

Our freedom of choice is also highlighted in a room devoted to showing page-by-page one of the largest editions of The New York Times ever printed. Since European journals are not as large, it was felt that the sheer size of the publication and its many advertisements would show the advantages of our democratic way of life.

While scientific progress has not provided the only talking point, neither has it been slighted. The role that automation plays in the scientific, industrial, business and cultural aspects of American life is demonstrated in a main floor exhibit. It describes how automation has brought about improvements in the factory, office and laboratory. A special section explains how the New York Stock Exchange uses automation in fulfilling its function as the fiscal market place.

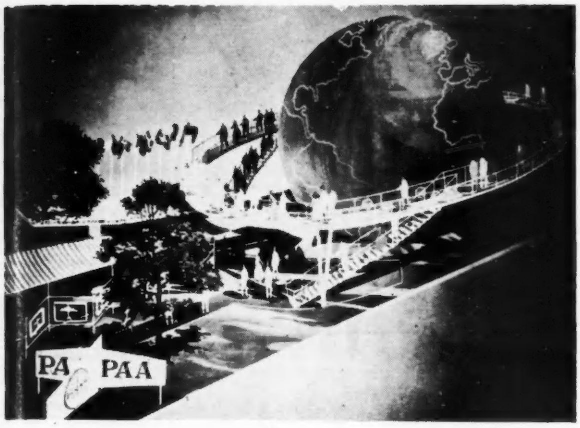
The U. S. building also features an excellent exhibit dealing with the development of nuclear energy for peaceful purposes and another devoted to the International Geophysical Year. In addition, other evidence of our accomplishments is presented by a huge map near the entrance with products typical of the different states; color television broadcast from a nearby studio, which is open to visitors and affords them a back-stage glimpse of how programs are produced; and a spectacular Walt Disney movie which employs a unique technique, Circarama, to project the film right onto the walls of the theatre.

American Companies Participating

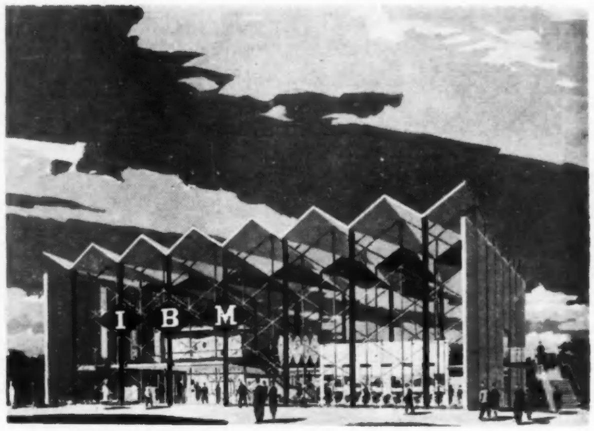
Besides the U. S. pavilion itself, American firms are represented in the International Science Section and in commercial areas such as the Aeronautics Pavilion. Five U. S. firms are underwriting pavilions of their own. They are: International Business Machines, which has attracted favorable attention for its display of machinery and equipment, with all panel instruments in three languages; Pan American Airways; Coca Cola Export; Eastman Kodak; and Philip Morris Overseas.

Other U. S. participants include: General Motors, American Motors, the Ford Foundation (which contributed more money to the U. S. effort than any other non-governmental participant), Bell Aircraft, Curtiss-Wright, Douglas Aircraft, Boeing Aircraft, Convair, Bristol-Myers, Caltex, Gulf Oil, Socony Vacuum, Sun Oil, Shell Oil, Standard Oil of New Jersey, Continental Can, Du Pont, General Electric, Westinghouse, Monsanto Chemical, Merck, Charles Pfizer, Radio Corp. of America, Seagram's, Singer Sewing Machine and the Union Carbide Co.

After inspecting the U. S. building, with its interior beachscape and exterior pool, its apple trees that were scheduled to burst into bloom on opening day, this reporter spent many hours visiting other exhibition halls and talking to people in charge of construction and displays. Of the profusion of buildings, which only the most indefatigable visitor could hope to cover with complete thoroughness because



Pan American World Airways' pavilion consists of a striking plastic sphere done in attractive lights and colors.



The IBM's ultra-modern pavilion provides a fascinating glimpse into the world of electronics.

of the extensive scope of this Fair, here is a rundown of the ones of greatest interest to MAGAZINE OF WALL STREET readers:

International Scientific and Industrial Exhibits

The Hall of Science is sponsored by sixteen different nations, including the United States and the Soviet Union. Its exhibits are broken down into four categories—the atom, the molecule, the crystal and the living cell.

The Transport exhibition is divided evenly between air, sea and land travel. Of special interest is an open-air display of six full-sized railway tracks with exhibits of the rolling stock of the railroads of several countries. A General Motors section, showing its oldest and latest models, as well as achievements in parts and planning, is another attraction.

Among the buildings sponsored by individual companies, undoubtedly the most spectacular is the irregularly-shaped silver-colored hut of Philips Industries of Holland which was conceived by the Swiss architect, Le Corbusier. Inside, Philips eschews any "hard sell" and presents what it describes as an eight-minute "seance" of light and sound. Belgium's Solvay Process also scores with a handsome blue, green and purple building with fan-like projections.

Mexico's showcase, with its murals and mosaics reminiscent of the capital, turned out to be an extremely pleasant surprise. Adhering closely to the theme of the Fair, which is a balance sheet of our progress since 1900, the displays highlight the strides that have been made in economic and social areas and give an excellent picture of everyday life. The scope of Mexico's recent development is documented by a colorful petrol fountain and by reports on the cotton, plywood, sulphur and ore industries.

Holland, which ranks among the four largest guest nation exhibitors along with the U. S., the U. S. S. R. and France, chose as its theme: "Water—Friend and Foe." Its halls focus upon a series of dikes and an operating canal. Instead of dwelling upon the picturesque aspects of canal life, the installation is decidedly industrial in character, showing how water can be used to benefit trade.

The British Industries Pavilion, which is only a part of the total British endeavor, is more frankly commercial than most of the other exhibits at the Fair. A steel frame building which occupies 60,000 square feet and is walled entirely of glass, it constitutes an impressive showcase for British merchandise. The British Electrical and Allied Manufacturers' Association occupies the largest single area in the pavilion. Other important industries represented include iron and steel, chemistry and automobiles. One noteworthy gimmick: there is a telephone switchboard which enables a caller in Brussels to dial direct any telephone number in the United Kingdom. Thus a businessman can, if he wishes, get in touch with the head office or factory of any exhibitor within a few minutes of seeing his display.

The French "glass house" pavilion, which is bird-shaped and rests on a unique base in the form of a crystal, is one of the boldest and most advanced in design and technique—and one that gave its sponsors severe headaches during the construction period. Considerable emphasis is placed upon heavy industry and power achievements. The accomplishments of the French people in industry, commerce, agriculture and research should be of considerable value in presenting ideas to the underdeveloped countries. As for the lighter side of French life, it rates attention in an elegant Parisian pavilion that provides a perfect setting for the country's renowned fashions, wines, etc. A typically French touch, hostesses are garbed in uniforms by Balmain.

Argentina plays up tourism and such products as leather, textiles, agricultural items, mining and metals. Native Argentine meats, fruits and wines are featured in a large restaurant.

Unlike most of the other countries, the Philippines brought their own materials for erecting a typical pile-dwelling pavilion. Wall panels and furniture are made out of various types of wood indigenous to the Philippines. Such commodities as rice, sugar cane, dried coconuts, abaca, hemp, tobacco, wood and ores are promoted in colorful displays.

As the host country, Belgium has put up an impressive series of buildings that provide a wealth of information on natural resources, industrial methods and commercial developments. Among the exhibits are substantial displays (*Please turn to page* 172)

PROGRAM FOR INVESTORS

Seeking Monthly Dividends

BY JOSIAH PIERCE

WE HAVE been receiving a number of inquiries from subscribers, expressing an interest in a program of regularly monthly dividends. It seems that the nature of the times has increased the desire for a secure, regular income month-in-and-month-out, which is most helpful, especially to investors budgeting their income and outgo on a monthly basis.

There are self-evident advantages to a steady inflow of dividends in meeting periodic bills as they fall due, including installment payments and taxes; as well as for carrying out a savings plan or a monthly investment program.

On the other hand, irregular income often leads to irregular spending. For instance, it is human nature to regard an extra dividend as a windfall, to be used to fulfill some postponed desire or need. Any dividend check received quarterly must be divided by three and apportioned on a monthly basis, if the stockholder is dependent on the income to meet monthly expenses. However, this is no longer necessary if quarterly dividends are received each month in equal amounts or if dividends are paid monthly.

Why Companies Don't Pay Monthly Dividends

Thus, the first question that may well be asked is why leading companies do not follow a policy, so plainly beneficial to the great majority of their stockholders, of paying dividends on a monthly instead of a quarterly basis? The answer may be illustrated by considering American Telephone & Telegraph with 1,424,788 stockholders. At 3 cents each, the postage on the company's quarterly dividend checks costs $170,975 annually. If 12 checks were mailed to stockholders each year, the cost would be three times as much or $512,924. In addition, clerical and other expenses of paying dividends would triple in amount. Thus, the management might well be viewed as failing in its duty to hold down expenses and thus conserve the company's income for the benefit of the stockholders.

A. T. & T. has an unusually large number of shareholders, so these costs are not typical for all companies. Nevertheless, this same problem of tripling the cost of disbursing dividends applies to all our corporations, varying only with the number of stockholders.

This poses the question of how the investor can solve the problem of continuous monthly dividend income.

There are only three companies listed on the New York Stock Exchange that pay monthly dividends and it is clear that a balanced portfolio of common stocks should be distributed over a fairly wide number of issues for proper diversification.

A Carefully Planned Answer to the Problem

In Table I, we are presenting a plan for obtaining regular monthly income in equal amounts from a portfolio of 17 common stocks, of which only 2 stocks pay monthly dividends. The remaining 15 stocks pay quarterly dividends, but they have been selected so that 5 issues pay in January-April-July-October,

Table I
Investment Plan for $400 Monthly Income

	No. of Shares	Recent Price	Amount	Indicated Annual Div'd Rate	Annual Income	Yield	Months Dividends Paid J-A-J-O	F-M-A-N	M-J-S-D
American Home Products	90	82	$ 7,380	$3.00[1]	$270	3.7%	X	X	X
American Telephone & Telegraph	35	173	6,055	9.00	315	5.2	X		
Boston Edison	100	52	5,200	2.80	280	5.4		X	
Brooklyn Union Gas	130	40	5,200	2.20	286	5.5		X	
Chase Manhattan Bank (N. Y.)	120	51	6,120	2.40	288	4.7		X	
Commercial Credit	100	53	5,300	2.80	280	5.3			X
First National City Bank (N. Y.)	100	64	6,400	3.00	300	4.7		X	
Guaranty Trust Co. (N. Y.)	70	77	5,390	4.00[2]	280	5.2	X		
Kresge (S. S.)	180	27	4,860	1.60	288	5.9			X
National Biscuit	130	45	5,850	2.20[3]	286	4.9	X		
Ohio Edison	100	53	5,300	2.64	264	5.0			X
Pacific Lighting	140	43	6,020	2.00	280	4.7		X	
Penney (J. C.)	60	87	5,220	4.25[4]	255	4.9	X		
South Carolina Electric & Gas	240	25	6,000	1.20	288	4.8	X		
Union Tank Car	180	29	5,220	1.60	288	5.5			X
West Penn Electric	190	29	5,510	1.50	285	5.2			X
Wrigley (Wm.) Jr.	60	82	4,920	4.50[5]	270	5.5	X	X	X
			$95,945		$4,803	5.0%			

1—Regular 20c monthly payments plus 60c extra paid December 1957 (adjusted for 2 for 1 split).
2—Includes 80c extra paid January 1958.
3—Includes 20c extra paid December 1957.
4—Includes $1.25 extra paid January 1958.
5—Regular 25c monthly payments plus $1.00 extra paid December 1957 and 50c extra January 1958.

another 5 issues pay in February-May-August-November, and the remaining 5 stocks pay in March-June-September-December. The number of shares are apportioned so that dividend checks will amount to a total of approximately $400 every month. Further, as there are 17 issues, the $4,800 annual income has been divided evenly so that each stock pays roughly $280 per year in dividends—a little more or less in several cases to arrive at round figures. Finally, it should be noted that fourth quarter payments will be somewhat more than the three preceding quarters in instances where year-end extras are paid.

In other words, Table I represents approximately the desired result of regularly monthly income from dividends in the arbitrary amount of $400 per month.

It is at once apparent that an investor desiring $200 per month need only buy half the number of shares of each issue. Similarly, a smaller investor could fit his purchases to meet his requirements, just as a larger investor could buy more shares.

This immediately leads to the thought of the basic objective of the investor. It is true that the plan outlined has met his problem of regular monthly income, but he may be inclined to ask if, in meeting this problem, more fundamental investment principles have been over-looked. This is not the case, as sound investment policy has been kept in mind as the first consideration, in devising what might appear superficially to be a mechanical or arithmetical plan of procedure.

To begin with, we have assumed that the investor interested in monthly income has already provided an adequate (*Please turn to page* 167)

Table II
Earnings Trend of Stocks In Investment Plan

	Earned Per Share 1953	1954	1955	1956	1957	Indicated Annual Dividend Rate*	Recent Price	Div. Yield	1957-58 Price-Range
American Home Products	$1.70	$2.11	$2.68	$4.07	$5.03	$3.00	82	3.7%	89¼- 59¼
American Telephone & Telegraph	11.71	11.92	13.10	13.16	13.00	9.00	173	5.2	179⅞-160
Boston Edison	2.96	3.12	3.40	3.45	3.12	2.80	52	5.4	53¾- 45
Brooklyn Union Gas	2.12	2.50	2.70	2.83	2.92	2.20	40	5.5	40¾- 31¾
Chase Manhattan Bank (N. Y.)	3.67	3.25	3.53	3.79	4.24	2.40	51	4.7	52⅛- 43
Commercial Credit	5.21	4.86	5.22	5.26	5.33	2.80	53	5.3	55⅛- 42¾
First National City Bank (N. Y.)	4.17	3.38	4.25	5.20	5.02	3.00	64	4.7	69⅝- 56⅞
Guaranty Trust Co. (N. Y.)	3.70	3.58	4.06	4.71	5.22	4.00	77	5.2	78 - 63
Kresge (S. S.)	2.40	2.24	2.52	2.60	2.62	1.60	27	5.9	27½- 22
National Biscuit	2.61	2.85	2.59	2.90	3.18	2.20	45	4.9	47⅝- 35
Ohio Edison	3.15	3.02	3.55	3.79	3.62	2.64	53	5.0	54⅞- 42¾
Pacific Lighting	2.00	2.38	2.71	2.84	2.42	2.00	43	4.7	44½- 33⅝
Penney (J. C.)	4.67	5.30	5.60	5.68	6.00	4.25	87	4.9	90 - 75
South Carolina Electric & Gas	1.15	1.33	1.35	1.51	1.58	1.20	25	4.8	25½- 18⅞
Union Tank Car	2.19	2.39	2.60	2.40	2.64	1.60	29	5.5	31 - 24¾
West Penn Electric	1.72	1.88	2.06	2.15	2.19	1.50	29	5.2	29⅝- 23½
Wrigley (Wm.) Jr.	4.75	5.80	5.91	5.67	5.54	4.50	82	5.5	88¾- 75

*—Including extras.

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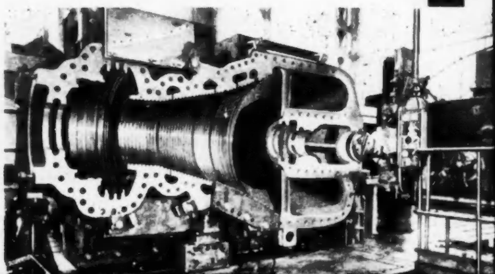
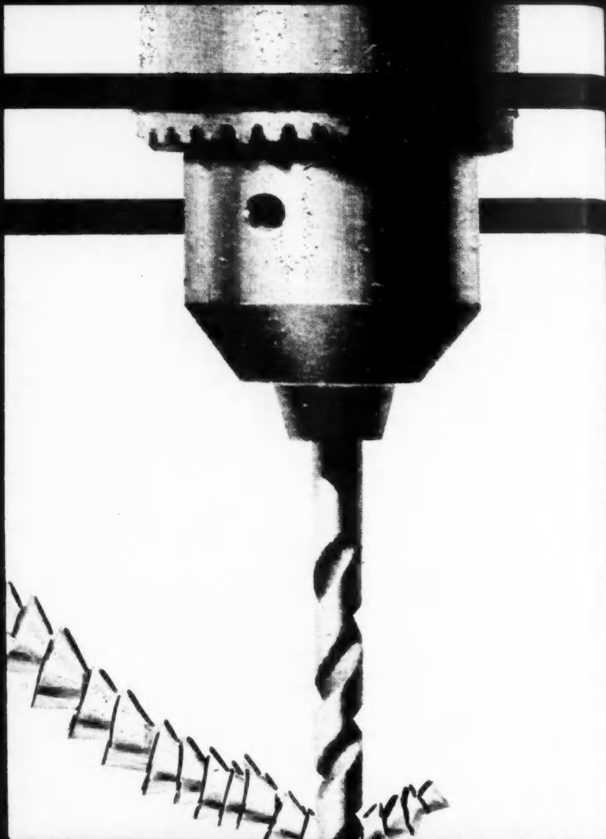




What Progress Ahead for Makers of MACHINERY and MACHINE TOOLS

BY JOHN D. C. WELDON

SEVENTEEN months ago, the drop in machinery and tool orders signalled the decline in capital spending and set the stage for the recession now under way. It is understandable, therefore, that the recent upturn reported in new orders for machine tools is viewed with extreme interest, and a touch of hope, that once again this business barometer is foretelling a change in the direction of economic activity.

Machine tool orders have turned upward, unmistakably, but how significant the pick up really is will have to await further development as the year progresses. For one thing, the new trend, though impressive when measured in percentages pales a bit when reduced to dollars. In February 1958 new orders for cutting-type machine tools (the kind that are generally considered the best barometer) increase by 18 per cent over the January figures, though still far below February 1957. But in dollars they came to only $22.8 million in February compared with $19.3 million in January and $18.6 million in December 1957. Projecting these new orders to a yearly rate, the total for 1958 would be $274.2 million, a wicked drop from the $519 million in 1957 and $924 million in 1956.

Within the industry itself, the February upturn was naturally welcome news, but the cheer was not shared by all companies. Most prefer to wait until signs appear that the auto producers are ready to step up their tool buying. This is not surprising, since the automotive industry is the largest single buyer of machinery and tools. But as things stand now, Detroit has tendered just a few spotty orders for minor equipment, and none that would give any hint as to the car maker's intentions for the new model year.

There is some hope, however, that by fall, the car producers will have decided that smaller cars must be produced domestically for the 1960 model year, in which case sizeable orders for new tools and machines will have to be placed. This is still little more than a hope, however, since so far the big car continues to rule the roost.

Capital Spending Drop Hurts Tool Makers

Without the spur of automotive spending, the

Leading Machinery Manufacturing Companies

	Earnings Per Share 1955	Earnings Per Share 1956	Earnings Per Share 1957	Dividends Per Share 1955	Dividends Per Share 1956	Dividends Per Share 1957	Recent Price	Div. Yield	Price Range 1957-58
American Machine & Foundry	$1.64	$3.03	$3.51	$1.00[2]	$1.05[2]	$1.60[1]	36	4.4%	43¾-29⅛
Bliss (E. W.) Co.	2.16	3.01	2.50	1.60	2.00	1.00[1]	20	5.0	29¾-12½
Bucyrus-Erie	4.19	3.64	2.77	2.30	2.40	1.00[1]	25	4.0	52¾-24
Buffalo Forge	2.36	3.07	3.24	2.00	2.00	2.00	29	6.8	34⅜-25½
Clark Equipment	4.23	4.11	3.57	1.87½	2.12½	2.25	41	5.7	67½-33
Fairbanks Morse & Co.	2.21	2.81	2.43	1.75	1.40	1.65	37	4.4	65 -37½
Foster-Wheeler	2.19	2.31	[d]1.89	1.60	1.60	1.60[3]	29	.....	67¾-25⅛
Gardner Denver Co.	2.74	4.05	4.41	1.00	1.80	2.00[1]	33	6.0	46⅞-31½
Ingersoll-Rand	4.54	5.96	6.01	3.00	3.50	4.00	74	5.4	88½-59
Joy Mfg. Co.	3.18	6.10	6.30	1.58	2.80	3.00	42	7.1	76¾-35⅛
Link-Belt	4.16	5.95	5.41	3.00	3.15	3.20	53	6.0	72¾-46¼
Mesta Machine	3.65	4.36	6.45	3.00	3.00	3.00	46	6.5	63 -37¾
United Engineering & Fdy.	.87	1.28	2.02	.80	.80	1.00[1]	13	7.6	16⅞-11½
Worthington Corp.	5.22	6.11	6.35	2.50	3.00	2.50[2]	47	5.3	68½-45⅛

[d]—Deficit.
[1]—Latest 1958 rate.
[2]—Plus stock.
[3]—Directors 1/27/58 took no div. action.

Bliss (E. W.): One of the larger makers of heavy equipment, especially presses, the company has shown good growth in recent years, but current operations are lower than the recent past. Outlook is for reduced earnings. (B3)

Bucyrus-Erie: A principal manufacturer of excavating and other construction machinery, Bucyrus should be helped by the stepped up roadbuilding program. Nevertheless dividends will probably stay at recently reduced levels. (B3)

Buffalo Forge: The stock of this old-line diversified producer is closely held and generally affords a good yield. Nevertheless future is too uncertain to warrant holding by the average investor. (B3)

Clark Equipment: A principal producer of fork lift truck and other materials-handling equipment, sales and earnings should hold up relatively well in 1958. No spectacular performance in sight, but per share net should match 1957's $3.57. (B3)

Fairbanks Morse: Sales and earnings receded in 1957, and company entered 1958 with substantially lower backlogs. On this basis, the stock which still reflects the recent fight for control, is too high. (B3)

Foster-Wheeler: Earnings were sharply reduced in the last quarter of 1957 because of underestimates of the cost of work in process. Backlogs remain relatively good, however, leading to the possibility of a better year in 1958. (B2)

Gardner Denver: Demand for the company's construction equipment lines should remain fairly good, but other products will meet stiffer competition. A modest sales and earnings dip in prospects for this well regarded company. (B2)

Ingersoll-Rand: Company is one of the leading producers of pneumatic tools, compressors, tunneling and excavating equipment. Earnings have been good throughout its history, and dividends have an unbroken record of 49 years. Good, but moderately lower prospects ahead. (A2)

Link-Belt: This old line, well financed quality company should have moderately lower, but still satisfactory earnings in the period ahead. Dividends have been paid each year since 1875. (A2)

Mesta Machine: Company is a leading producer of steel mill equipment with strong backlogs at the present time. As a result earnings at least for the first half of 1958 may be slightly ahead of last year. (B1)

United Engineering & Foundry: Another major steel mill equipment supplier, backlogs are also in good shape currently. Satisfactory year in prospect. (B2)

RATINGS:
A—Best grade. **C—Speculative.** **1—Improved earnings trend.**
B—Good grade. **D—Unattractive.** **2—Sustained earnings trend.**
3—Lower earnings trend.

Leading Machine Tool Companies

	Earnings Per Share 1955	Earnings Per Share 1956	Earnings Per Share 1957	Dividends Per Share 1955	Dividends Per Share 1956	Dividends Per Share 1957	Recent Price	Div. Yield	Price Range 1957-1958
Black & Decker	$4.10	$5.17	$5.40	$1.00[1]	$1.40	$1.40[1]	37	3.7%	64¾-35¾
Bullard Co.	[d]1.41	2.06	.29	1.00	1.20	.60[2]	13	.....	29⅛- 9⅜
Chicago Pneumatic Tool	1.87	2.44	3.14	.87[1]	1.00[1]	1.37½	20	6.8	29¼-18⅜
Cincinnati Milling Machine	2.47	4.64	4.46	1.52	1.60	1.60	33	4.8	50½-25⅝
Ex-Cell-O Corp.	2.70	4.01	3.89	.87	1.00	1.50[3]	31	4.8	51¾-28⅜
Monarch Machine Tool	.08	2.34	2.42	1.20	1.35	1.20	18	6.6	24½-15½
National Acme	6.41	8.60	5.81	4.00	5.00	3.00[4]	50	6.0	80½-40½
United Greenfield Corp.	.....	.....	1.89[5]	.....	.....	1.10[5]	13	8.4	19 -12¼
Van Norman Industries	1.09	1.10	.22	1.00	1.00	.20[6]	6	.....	13½- 4⅝

[d]—Deficit.
[1]—Plus stock.
[2]—Directors 8/27/57 took no div. action.
[3]—Latest 1958 rate.
[4]—Estimated 1958 rate.
[5]—Merger of Greenfield Tap & Die and United Drill and Tool 11/25/1957.
[6]—Directors 8/22/1957 took no div. action.

Black & Decker: Company's well accepted "do-it-yourself" power tools have introduced stability into earnings. Less affected by capital spending slowdown than others, earnings should be near 1957 levels. (B1)

Bullard: Sales and earnings fluctuate widely, and should be exceptionally vulnerable currently since heavy business is done with auto producers. (C3)

Chicago Pneumatic Tool: Recent growth record has been good and diversification has introduced stability into operations. Nevertheless slowdown in capital expenditures will lead to lower sales and net in 1958. (B2)

Monarch Machine Tool: Company's operations are highly susceptible to wide swings, but overall earnings record is good. Excellent financial position will see company through much lower earnings in 1958. (B3)

National Acme: Almost all of company's business is automatically operated machines used by heavy industry. Company will be hurt in 1958 from the slowdown in the auto industry, which generally accounts for over 40 per cent of its revenues. (B2)

United Greenfield Corp.: Company is a recent merger of United Drill & Tool and Greenfield Tap & Die. The new entity should still be subject to wide swings in business, leading to lower sales and earnings in 1958. (C2)

Van Norman Industries: Van Norman has been expanding aggressively through acquisition. Sales have been boosted, but earnings have lagged. All division should feel the decline in business in the year ahead. (C3)

RATINGS:
A—Best grade. **C—Speculative.** **1—Improved earnings trend.**
B—Good grade. **D—Unattractive.** **2—Sustained earnings trend.**
3—Lower earnings trend.

machine tool manufacturers are left with only private capital spending and defense expenditures as stimulants to new activity. Government outlays have begun to pick up some, and with defense ordering expected to reach a peak by June new business from the missile makers should begin to come in by fall. But the outlook for private outlays continues poor.

Private capital expenditures are expected to drop at least 15 per cent in 1958, and the slide will probably retard not only new plant building, but many modernization programs as well. A harbinger of things to come was the January report on contracts for new plants which fell to $107 million, 52 per cent below the year earlier figure. Statistics on modernization plans are not available, of course, but with most of our producing industries now faced with more capacity than they can use under current business conditions, some cutting in programs of this type is to be expected.

Comprehensive Statistics Comparing the Posi

Figures are in million dollars, except where otherwise stated.	Machine To... Black & Decker Mfg.	Bullard Co.	Chicago Pneumatic Tool
CAPITALIZATION:			
Long Term Debt (Stated Value)	$ 4.3	$ 3.3	......
Preferred Stock (Stated Value)	......	......	......
No. of Common Shares Outstanding (000)	1,028	728	4,291
Capitalization	$ 5.3	$ 10.6	$ 34.3
Total Surplus	$ 31.0	$ 12.5	$ 34.7
INCOME ACCOUNT: Fiscal Year Ended	9/30/57	12/31/57	12/31/57
Net Sales	$ 52.4	$ 33.3	$ 90.4
Deprec., Depletion, Amort., etc.	$ .9	$ 1.0	$ 1.7
Income Taxes	$ 5.6	$ .2	$ 12.6
Interest Charges, etc.	$ .2	$ .3	......
Balance for Common	$ 5.5	$ .2	$ 13.4
Operating Margin	21.2%	2.4%	25.2%
Net Profit Margin	10.5%	.6%	14.8%
Percent Earned on Invested Capital	17.2%	1.0%	19.5%
Earned Per Common Share*	$ 5.40	$ .29	$ 3.14
BALANCE SHEET: Fiscal Year Ended	9/30/57	12/31/57	12/31/57
Cash and Marketable Securities	$ 3.1	$ 1.4	$ 20.1
Inventories, Net	$ 17.7	$ 7.8	$ 32.5
Receivables, Net	$ 8.2	$ 3.8	$ 15.5
Current Assets	$ 29.0	$ 13.3	$ 68.6
Current Liabilities	$ 8.0	$ 3.6	$ 22.4
Working Capital	$ 21.0	$ 9.7	$ 46.2
Current Ratio (C. A. to C. L.)	3.6	3.6	3.0
Fixed Assets, Net	$ 14.8	$ 13.5	$ 21.2
Total Assets	$ 44.4	$ 26.8	$ 91.6
Cash Assets Per Share	$ 3.01	$ 1.95	$ 4.68
Inventories as Percent of Sales	33.7%	23.5%	36.0%
Inventories % of Current Assets	61.0%	59.0%	47.4%

*—Data on dividend, current price of stock and yields in supplementary table on preceding page.

d—Deficit.

Shipments Declining Fast

Despite the drop in orders last year, machine tool shipments continued high throughout 1957, largely as a result of the huge backlogs built up during the booming period of the previous year. By the beginning of 1958, however, backlogs had been drawn way down to about two and a half months shipments compared to almost twice that much a year earlier. Moreover by January the shipment rate began to slide sharply as well, falling to $48 million compared with $56 million in the previous month and over $75 million in January, 1957.

The situation is compounded further by a sharp reduction in export shipments and cancellation of many orders from abroad. This one factor helps to explain why the machine tool drop has been so severe this time compared with the 1949 and 1953 recessions. In both of those years orders from abroad held up relatively well.

How quickly the industry's fortunes reversed can be seen from the fact that in the first half of 1957 shipments climbed almost 20 per cent, but by year-end they had declined from $886 million for all of 1956 to $843 million for the full year 1957. Moreover, at the current rate of shipments they may aggregate no more than $600 million in 1958.

Industry Expects Wide Swings

In view of these figures, the much publicized upswing in new machine tool orders is still just a drop in the bucket. A cessation of the downward trend is welcome, but business for the tool makers is not going to be good in 1958.

Nevertheless, this is one group that has always lived with wide cyclical swings, and the executives of the many well managed companies in the field have years of experience in carrying their companies through trying periods.

Cincinnati Milling Machine, for example, the largest domestic manufacturer of machine tools, has an enviable earnings and dividend record, and a well established reputation for sound finances and managerial ability. Dividends have understandably fluctuated with the wide yearly swings in earnings, but the company's record of payments is unbroken since 1894.

Cincinnati Milling's principal products are milling and grinding machines, but a constant effort is made to update machinery to incorporate the most modern techniques. The company is one of the acknowledged leaders in automation through the production of numerically controlled machines, and pioneered some of the most important steps in self-programmed machine tools.

To finance new developments, in good times and bad, the company has been kept in excellent financial shape at all times. At the end of 1957, for example, despite a drop in earnings from $4.64 in 1956 to $4.46, working capital climbed to a new high of $47 million. Current assets at $61.4 million were far in excess of the $14.4 million in current liabilities, and cash, at $12 million almost covered all liabilities. The company has no long term debt.

Operations will decline further in 1958 for Cin-

Position of Leading Machinery and Machine Tool Companies

Cincinnati Milling Machine	Ex-Cell-O Corp.	American Machine & Foundry	Bucyrus Erie	Clark Equipment	Fairbanks Morse & Co.	Foster Wheeler	Ingersoll Rand	Joy Mfg. Co.	Link Belt	United Engineering & Foundry	Worthington Corp.
		Machinery Manufacturing									
......	$ 10.5	$102.8	$ 9.5	$ 31.0	$ 26.5	$ 5.7	......	$ 18.5	......	$ 6.9	$ 25.0
$ 6.0	......	$ 8.3	......	$ 1.2	......	......	$ 2.5	......	......	$ .7	$ 7.0
1,707	3,610	3,258	1,866	2,289	1,079	593	6,024	1,787	1,869	2,488	1,512
$ 23.0	$ 21.3	$134.2	$ 18.8	$ 66.5	$ 44.4	$ 11.6	$ 30.6	$ 20.2	$ 9.3	$ 20.0	$ 47.2
$ 40.6	$ 60.5	$ 57.2	$ 51.3	$ 21.4	$ 46.0	$ 23.9	$116.9	$ 56.9	$ 75.8	$ 18.2	$ 64.3
12/31/57	11/30/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	9/30/57	12/31/57	12/31/57	12/31/57
$148.3	$168.8	$227.5	$ 87.5	$143.0	$120.3	$173.1	$205.4	$131.1	$163.4	$100.4	$191.5
$ 2.8	$ 8.0	$ 11.7	$ 2.5	$ 2.5	$ 2.0	$ 1.4	$ 1.8	$ 2.5	$ 3.2	$ 1.2	$ 2.3
$ 9.0	$ 14.8	$ 12.3	$ 6.7	$ 6.7	$ 2.7	$ 2.1	$ 35.5	$ 12.8	$ 10.9	$ 6.4	$ 9.8
......	$ .7	$ 4.6	$ .3	$ 1.9	$ 1.2	$ .7	......	$ .9	......	$ .4	$ 1.6
$ 7.6	$ 14.0	$ 11.3	$ 5.1	$ 8.1	$ 2.6	$[d] .8	$ 36.2	$ 11.3	$ 10.1	$ 5.0	$ 9.6
11.3%	17.3%	12.1%	13.1%	10.4%	5.4%	1.1%	31.9%	17.0%	12.5%	10.8%	10.0%
5.3%	8.3%	5.1%	5.8%	5.7%	2.1%	[d] .4%	17.7%	8.6%	6.1%	5.0%	5.1%
12.3%	19.8%	13.3%	8.5%	14.2%	4.1%	......	24.6%	19.3%	11.8%	16.2%	11.5%
$ 4.46	$ 3.89	$ 3.51	$ 2.77	$ 3.57	$ 2.43	$[d] 1.39	$ 6.01	$ 6.34	$ 5.41	$ 2.02	$ 6.35
12/31/57	11/30/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	9/30/57	12/31/57	12/31/57	12/31/57
$ 11.7	$ 18.1	$ 23.2	$ 2.0	$ 11.2	$ 8.1	$ 11.0	$ 53.8	$ 8.0	$ 21.8	$ 8.8	$ 7.1
$ 32.5	$ 31.1	$ 48.7	$ 41.2	$ 37.5	$ 37.2	$ 31.2	$ 45.0	$ 37.5	$ 33.2	$ 33.8	$ 62.3
$ 16.5	$ 13.0	$ 49.7	$ 8.8	$ 15.5	$ 13.5	$ 24.2	$ 25.8	$ 21.3	$ 21.2	$ 17.5	$ 41.1
$ 61.4	$ 64.0	$124.0	$ 52.2	$ 64.7	$ 58.9	$ 72.2	$130.7	$ 66.9	$ 76.6	$ 36.1	$112.8
$ 14.4	$ 25.7	$ 29.3	$ 17.5	$ 15.4	$ 18.6	$ 53.4	$ 45.6	$ 18.5	$ 22.5	$ 15.6	$ 42.2
$ 47.0	$ 38.3	$ 94.7	$ 34.7	$ 49.3	$ 40.3	$ 18.8	$ 85.1	$ 48.4	$ 54.1	$ 20.5	$ 70.6
4.3	2.4	4.2	2.9	4.2	3.1	1.3	2.9	3.6	3.4	2.3	2.7
$ 24.8	$ 22.0	$ 24.7	$ 33.3	$ 29.9	$ 27.0	$ 16.0	$ 14.7	$ 22.0	$ 29.2	$ 17.2	$ 39.4
$ 93.4	$111.3	$225.6	$ 87.7	$104.2	$ 94.5	$ 90.1	$197.7	$ 95.8	$107.7	$ 53.9	$112.8
$ 6.86	$ 5.01	$ 7.12	$ 1.10	$ 4.91	$ 7.59	$ 18.64	$ 8.93	$ 4.51	$ 11.68	$ 3.54	$ 4.70
21.9%	18.4%	21.4%	47.1%	26.2%	30.8%	18.0%	21.9%	28.7%	20.3%	33.7%	32.5%
65.7%	48.6%	39.3%	79.9%	58.0%	63.1%	43.2%	34.4%	56.1%	43.3%	93.8%	55.2%

cinnati Milling, and earnings may drop below the $3.00 per share level. Nevertheless, as in the past, it is to be expected that a firm base will be established in new and improved products, looking to the future.

Ex-Cell-O, though not quite as strong, financially, has also demonstrated excellent resilience and a sound ability to keep its balance in good times and bad. Last year sales climbed to a record $168 million from $150 million in 1956, but with margins under pressure earnings eased to $3.89 per share compared with $4.01. Nevertheless, the company does a large defense business, in addition to its industrial lines and much of last year's troubles can be traced to the stretchouts the Defense Department placed in effect around mid-year.

Reflecting defense cutbacks shipments through 1958 will probably recede moderately, but good results are still expected from the company's highly successful Pure-Pak Machines, which are rented to the dairy and other industries. This one important line gives Ex-Cell-O a greater degree of earnings stability than most machine tool producers enjoy.

Moderately lower earnings are expected in 1958, but Ex-Cell-O should weather the current storm well.

Machinery Prospects More Varied

Like the machine tool companies, the nation's machinery manufacturers have also been victimized by the capital spending slowdown, but because of the wide diversity within the industry the letdown has hit with varying impact.

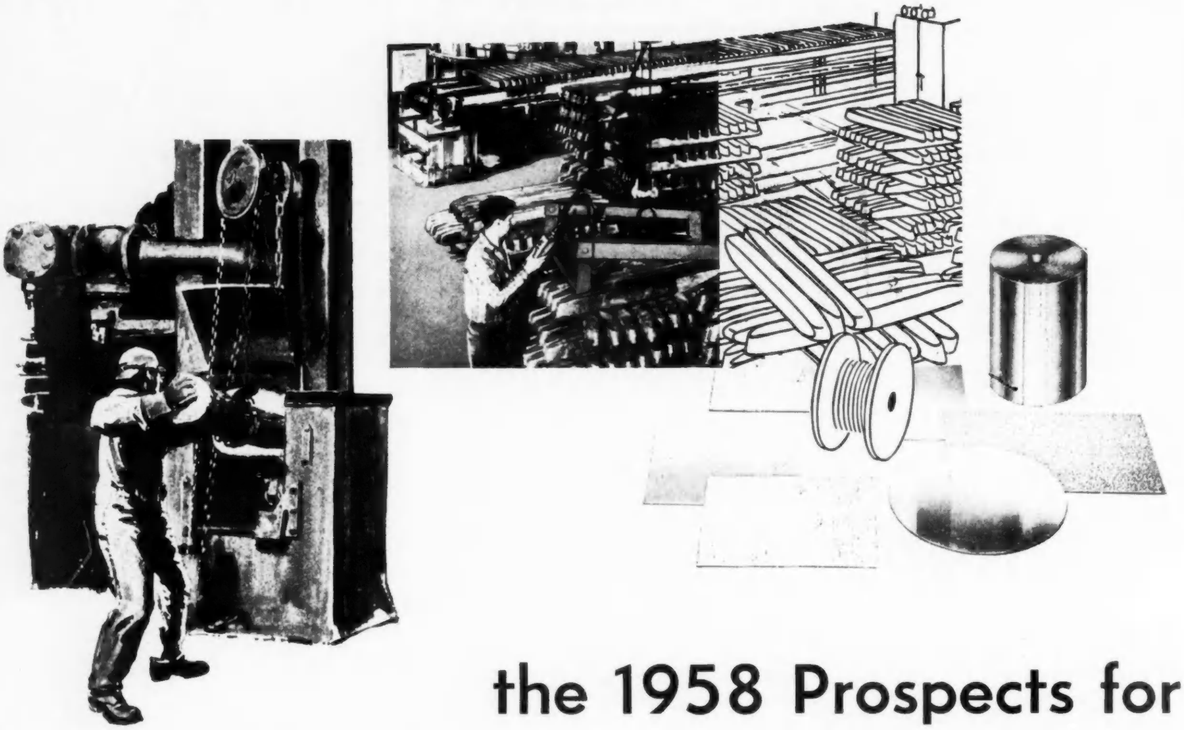
First to be affected were the producers of standard machinery, especially when defense cutbacks led to order cancellations in the middle of last year. In recent months however, the decline has been spreading with increasing rapidity. Many hydraulic press orders were cancelled by the aircraft industry, mining machinery has hit low ebb as output from the mines has fallen, and textile equipment continues to wallow in its long-standing recession.

Most industrial machinery backlogs began to dwindle in the middle of 1957, but the slowdown was viewed as essentially temporary in nature. By the fourth quarter of 1957, it was becoming obvious to all, however, that the combination of lower defense outlays and curtailed capital spending was going to have a telling affect on company fortunes. To add to the industry's woes, moreover, the failure of autos to hold up their end of the economy has reduced incoming orders from the car producers, and has also been reflected in a slowing down of equipment purchases by the steel companies.

So far, the only real bright spot is in the construction equipment field, where benefits from the road building program may be felt shortly.

Almost $6 billion will (*Please turn to page* 168)

No. 7 of Our Special Studies of Major Industries . . .



the 1958 Prospects for COPPER–LEAD–ZINC–ALUMINUM

—Domestic and international outlook for these metals—and varying status for the individual companies

BY CALEB FAY

AT THE start of 1958 producers of the base metals had no illusions they were about to enter a year of soaring demand for their metals at top prices. It was abundantly plain that 1958 was to be a buyers' market. Metal prices were shaky under the impact of lessened demand, increasing supply, and heavy unsold stocks in the hands of producers.

With the end of the first quarter of the year, these unhappy forebodings have proven all too true. Since the first of the year the copper price has fallen from 27 to 25 cents a pound in the New York market, lead from 13¢ to 12¢, and more recently aluminum has reeled from a 2 cent cut from its long established 26 cent price. While the zinc price has remained unchanged at 10 cents, it can't be regarded as stable. In each case the same reasons were ascribed, that available supplies were currently in excess of the needs of industry.

In consequence most producers are making little or no profit on their operations and some marginal mines are continuing to work only at substantial losses.

While demand for metals in 1957 was comparatively good, it was not good enough to call for the large increases in production capacity that had been encouraged by the high prices of 1956, compounded in many cases by Government incentive for a larger output. Thus copper consumption on a world basis in 1957 set a new all-time record and zinc, lead, and aluminum were within a few per cent of former highs. But large as they were, output of the metals was still higher.

The difference between a shortage and a surplus may be very small but the effect on the price may be out of all proportion. For example, in 1957 world production of refined copper was reported by the Copper Institute as 3,036,588 tons while deliveries were 2,853,307 tons. This indicated an excess production of 183,281 tons or only 6 percent. Yet this relatively small surplus resulted in a drop in the copper price from 36 cents to 27 cents a pound at the end of the year, or 25 per cent. The decline was even more severe on the London Metal Exchange.

The spectre of overproduction was foreseen as early as the fall of 1956 when the first voluntary reduction was put into effect by Phelps Dodge. Other producers here and abroad followed slowly with a rapid speed-up as 1957 drew to a close. Foreign producers generally held off until the first of the year when the big mines in Rhodesia, Chile, and the Belgian Congo announced cutbacks. By February, total copper output here and abroad had been reduced 325,000 tons on an annual production basis.

Leading Non-Ferrous Metal Companies

	Earnings Per Share			Dividends Per Share			Recent	Div.	Price Range
	1955	1956	1957	1955	1956	1957	Price	Yield	1957-1958
Aluminium, Ltd.	$1.61	$1.85	$1.37	$ .71	$ .80	$ .90[1]	28	3.2%	53⅛-26¾
Aluminum Co. of America	4.18	4.24	3.55	.95	1.20	1.20	65	1.8	102 -59¾
American Metal Climax, Inc.	2.60	2.68	1.95	1.50[1]	1.75[1]	1.20	19	6.3	28⅞-16
American Smelting & Refining	5.52	6.67	3.94	2.80	3.50	2.00[2]	42	4.7	63¾-35⅛
American Zinc Lead & Smelt.	2.20	2.74	1.07	1.00[1]	1.00	1.00	11	9.0	19½- 9⅝
Anaconda Co.	7.52	12.85	4.23	4.25	5.00	2.00[2]	43	4.6	72⅞-39¼
Calumet & Hecla	1.82	2.04	1.25	.65	.80	.80	11	7.2	15¼- 9
Cerro de Pasco	7.66	6.52	3.00[6]	1.50[1]	1.60[1]	[1]1.00[2]	29	3.4	59⅝-24⅛
Consolidated Coppermines	3.28	2.99	.68	1.40	1.60	.60[2]	12	5.0	18 - 9⅝
Consolidated Mining & Smelting	2.01	1.83	1.13	1.55	1.75	1.20[2]	18	6.1	30 -16⅜
Copper Range	5.08	4.88	1.15	.40[1]	1.00[1]	.50[2]	20	2.5	43½-16½
Eagle-Picher Co.	5.06	5.88	4.25	1.80	2.00	2.20	30	7.3	47½-27¼
Granby Consolidated	1.70	.72	[d] .10	.50	.25	......	5	.....	13⅜- 4
Howe Sound	1.75	1.42	[d] .25[6]	1.00	.40	.20[3]	7	2.8	18¼- 5½
Hudson Bay Mining & Smelt.	7.62	7.70	3.03	5.00	6.00	3.00[2]	42	7.1	90 -41¼
Inspiration Consolidated	7.04	7.21	3.15	5.00	5.00	2.00[2]	30	6.6	55⅜-25⅛
International Nickel	6.15	6.50	5.90	3.75	3.75	3.75	73	5.1	115⅜-66⅜
Kaiser Aluminum & Chemical	2.87	2.72	1.59	.37	.90	.90	24	3.7	46¾-22
Kennecott Copper	11.60	13.23	7.32	7.75	9.25	6.00	82	7.3	128½-75⅛
Magma Copper	5.43	6.21	[d]1.94	[4]	[4]	......	42	.....	89 -31⅞
Miami Copper	8.74	11.88	3.50[6]	4.00	6.25	1.00[2]	26	3.8	50¾-24⅛
National Lead	4.02	5.23	4.64	2.85	3.25[1]	3.00	86	3.4	138 -85⅛
New Jersey Zinc	2.46	1.31	.63	1.25	1.50	.60[2]	19	3.1	47⅜-18⅞
Phelps Dodge	7.28	8.72	4.48	3.10	5.00	3.00[2]	42	7.1	63⅛-37
Revere Copper & Brass	4.36	3.66	3.25	2.37	2.10	2.00	25	8.0	39 -21½
Reynolds Metals	3.41	3.93	3.28	.45[1]	.65	.65	38	1.7	65¼-32¼
St. Joseph Lead	4.79	3.88	3.04	2.00	3.00	1.00[2]	23	4.3	46¼-22
U. S. Smelt. Ref. & Mining	5.41	4.50	[d]1.58	2.25	3.75	.50[5]	31	.....	64½-25

[d]—Deficit.
[1]—Plus stock.
[2]—Latest 1958 rate.
[3]—Directors 8/27/57 took no div. action.
[4]—Paid 5% stock in 1955 & 1956.
[5]—Directors 9/11/57 too no div. action.
[6]—Estimated.

Aluminium Ltd.: Lowest cost producer of aluminum but handicapped by lack of fabricating facilities. Subject to severe Russian competition in Great Britain. Cutting back output. (A3)

Aluminum Co. of America: World's largest producer, completely integrated. Impressive growth potential but oversupply of aluminum will halt uptrend in 1958. (A3)

American Metal Climax.: Merger with Climax will stabilize earnings, but income in 1958 likely to be sharply lower because of reduced dividends from Rhodesian holdings. (B3)

American Smelting & Refining: World's largest smelting co., important producer lead, zinc, silver from own mines. Controls Toquepala, huge new copper mine in Peru, to begin production about 1960. Earnings to decline in 1958 because of lower metal prices. (A3)

American Zinc, Lead & Smelting Co.: Large domestic zinc producer, fully integrated. Earnings in decline because of low zinc prices. (C3)

Anaconda Co.: One of Big Three copper producers completely integrated. Important uranium interests. Huge holdings in low cost Chilean copper mines. Earnings in decline because of low metal prices. (B3)

Calumet & Hecla: Main profits from its subsidiary Wolverine Tube. Financial position strong but no factor in copper mining. (D3)

Cerro de Pasco: Diversifying position as major lead-zinc producer in Peru, copper declining in importance. Aggressive management. Earnings seriously hurt by lower metal prices. Vulnerable to tariff increases. (B3)

Consolidated Copper Mines: Has sold copper property to Kennecott. Now mainly concerned with its subsidiary Titan Metals, a fabricator. Strong financial position. (C3)

Consolidated Mining & Smelting: Canada's largest lead-zinc producer. Controlled by Canadian Pacific R.R. Earnings in decline from low metal prices. (B3)

Copper Range: Owns major new copper mine, White Pine, now producing about 50,000 tons copper annually, sold at premium prices to Government under contract. Prospects improving. (C3)

Eagle Picher: Still important factor as lead-zinc producer, consequently subject to earnings decline because of low metal prices. However, its manufacturing business should help stabilize earnings. (B3)

Granby Consol.: No present earnings power. Has ½ interest in Granduc copper property in Canada but long period required to bring into production. (D3)

Howe Sound: Merged with Haile Mines. Only producing property that shows profit is its Blackbird cobalt mine but overall position shows a loss. Strong cash position. (C3)

Hudson Bay Mining & Smelting: Hard hit by low copper and zinc prices. Good management. (B3)

Inspiration Copper: Hurt by low copper price but costs under good control. Acquired Christmas mine, thus increasing ore reserves. (C3)

International Nickel: Lower earnings because of curtailed output in both nickel and copper. Excellent long term outlook. (A3)

Kaiser Alum.: Second largest U.S. aluminum producer. Profits down account oversupply aluminum. Kennecott Copper has large stock interest. (C3)

Kennecott Copper: World's largest copper producer, important by-product output of gold and molybdenum. Owns ⅔ Quebec Iron & Titanium, now operating profitably. Earnings decline expected from low copper price. (A3)

Magma Copper: Company controlled by Newmont. Had $2 million loss in 1957. May ultimately develop into large cost copper producer but in its present position unattractive. (C3)

Miami Copper: Its low grade ore reserves make profitable operation doubtful with present copper price. Strong cash position. (C3)

National Lead: Highly diversified manufacturer of lead and titanium products. Owns 50% Titanium Metals Corp. Operates Nicaro nickel project for U.S. Govt. Management very capable. (A3)

New Jersey Zinc: Largest U.S. zinc producer, fully integrated. Low zinc price has seriously affected profits. Excellent ore reserves, highly efficient plants. (B3)

Phelps Dodge: Second largest U.S. copper producer with mines all in U.S., hence will be major beneficiary from any tariff on imports. Low cost producer, excellent management. (A3)

Revere Copper & Brass: Major copper and aluminum fabricator, large stock interest held by Amer. Smelting. Has ½ interest in Ormet Corp., a new aluminum producer. (B3)

Reynolds Metals: Third largest aluminum producer, completely integrated. Aggressive management. Good long term growth appeal but present trend of profits is down account oversupply aluminum. (B3)

St. Joseph Lead: Largest U.S. lead producer, also important zinc output. Has large ore reserves in U.S., Canada, Argentine. Profits seriously cut by low metal prices. (B3)

U. S. Smelting Refining & Mining: Domestic producer of lead-zinc from high cost ores. Has gold production in Alaska. Has been successful in its oil developments. Stock highly leveraged. (C3)

Ratings: A—Best grade.
B—Good grade.
C—Speculative.
D—Unattractive.

1—Improved earnings trend.
2—Sustained earnings trend.
3—Lower earnings trend.

Since then further cutbacks have been announced in this country by Miami, and Howe Sound has suspended production in Canada. Of major importance was the decision by International Nickel Co. to cut nickel output by 10 per cent. As this company mines copper on approximately a pound for pound ratio with nickel it was equivalent to cutting its copper output by the same amount, or about 14,000 tons a year. Smaller suspensions have taken place elsewhere.

Summing up, it appears that copper production has been cut at least 340,000 tons on a world annual basis. This is equivalent to over 11 per cent of world crude output in 1956-7, and definitely should bring production more in balance with consumption in 1958. It would be less than consumption if the latter continued at the same rate as in 1956-7. Nor is there any evidence that new capacity to be brought into production in 1958 will be large. Indeed some of it may be deferred to a more propitious time.

The actual tonnage of copper that could be available to industry in 1958 might be even less than indicated after the cutbacks because the output from two new substantial mines, San Manuel and White Pine, controlled by Magma Copper and Copper Range respectively, will undoubtedly be delivered to the stockpile at contract prices of 27-28 cents a pound which are higher than the present market. This would effectively freeze their production and lessen the amount for consumers by over 100,000 tons.

Copper Stockpiles Still Excessive

In view of all this it is disappointing to find no evidence thus far that the statistical picture has improved. Refined production for the first two months of 1958 was still in excess of deliveries by over 25,000 tons and refined stocks had increased over 12,000 tons since the end of 1957, totalling 470,464 tons at the end of February. This compares with 354,430 tons at the end of 1956 and 222,331 tons as 1955 bowed out. Until the present top heavy stocks are reduced to a considerably lower level it appears to be only wishful thinking to anticipate any sustained rise in the copper price.

Blame for disappointing consumption can be placed squarely on hand-to-mouth buying by domestic fabricators and consumers, due of course to the current industrial recession. On the other hand consumption on the Continent and in Great Britain has held up extremely well. In 1957 domestic consumption as measured by deliveries to fabricators declined 10 percent compared with 1956. But outside the United States consumption increased the same amount.

The same trend is being repeated for the first two months of this year. Domestic deliveries averaged 3463 tons per day as against 3501 tons per day average in 1957. But outside this country deliveries climbed to a daily average of 4741 tons, compared with 4316 tons in 1957 and 3735 tons daily in 1956.

It has often been declared that actual consumption of copper in the United States is presently considerably larger than would appear from deliveries by fabricators because of reduction of inventory stocks by the final consumers. This is probably true and has been going on for a long time. Unfortunately an inventory that may have looked reasonable when business was brisk takes on a different aspect when activity slows down. This appears to be the situation today. Yet it is unchallenged that incoming orders call for—and get—immediate delivery which would indicate that inventories today if not at actual bottom, are close to it. It follows then that if and when demand turns upward there could ensue a wild rush to build up inventories as well as to order metal to fill incoming orders. This could result in a rapid reduction in producers stocks, at present a heavy drag on the market.

Possibly too, help for the domestic market will come in the shape of a tariff to be automatically imposed on June 30 unless Congress rules otherwise. The duty calls for 1.7 cents a pound on imports of copper and there is considerable agitation as well for a 4 cent tariff, although this latter appears unlikely to gain approval of the Administration because of conflict with the Reciprocal Trade Agreement.

Summing up, the chances are that the present producers' price of 25 cents a pound will hold. The smelters' 24 cent price should continue and the London market has had a firmer tone. A prolonged work stoppage in the Chilean mines could cause the shorts to run to cover on the London Metal Exchange. It is well known that spot copper is scarce on the Continent and commands a premium. In the United States it appears most unlikely that copper demand will increase appreciably before the operating rate for the steel industry improves. There is a pretty close relationship between copper consumption and steel output, estimated about 1.4 to 100. Little improvement is expected in the copper price before the third or fourth quarter.

Comprehensive Statistic

Figures are in million dollars, except where otherwise stated.	Aluminium Ltd.	Aluminum Co. of America
CAPITALIZATION:		
Long Term Debt (Stated Value)	$ 402.4	$ 358.9
Preferred Stock (Stated Value)	$ 72.8[1]	$ 66.0
No. of Common Shares Outstanding (000)	30,168	20,607
Capitalization	$ 610.5	$ 445.5
Total Surplus	$ 288.6	$ 583.9
INCOME ACCOUNT:		
Fiscal Year ended	12/31/57	12/31/57
Net Sales	$ 385.6	$ 869.3
Deprec., Depletion, Amort., etc.	$ 37.4	$ 57.6
Income Taxes	$ 19.1	$ 69.0
Interest Charges, etc.	$ 18.9	$ 14.6
Balance for Common	$ 41.4	$ 73.0
Operating Margin	23.9%	17.6%
Net Profit Margin	10.7%	8.7%
Percent Earned on Invested Capital	9.7%	11.2%
Earned Per Common Share*	$ 1.37	$ 3.55
BALANCE SHEET:		
Fiscal Year Ended	12/31/57	12/31/57
Cash and Marketable Securities	$ 50.9	$ 39.9
Inventories, Net	$ 163.3	$ 231.7
Receivables, Net	$ 76.9	$ 104.0
Current Assets	$ 291.2	$ 379.7
Current Liabilities	$ 118.5	$ 192.0
Working Capital	$ 172.7	$ 187.7
Fixed Assets, Net	$ 878.1	$ 882.6
Total Assets	$1,208.9	$1,315.5
Cash Assets Per Share	$ 1.69	$ 1.94
Current Ratio (C. A. to C. L.)	2.4	2.0
Inventories as Percent of Sales	42.3%	26.6%
Inventories as % of Current Assets	56.0%	61.0%

*—Data on dividend, current price of stock and yields in supplementary table on preceding page.

Comparing the Position of Leading Non-Ferrous Metals Companies

American Metal Climax	American Smelting & Refining	Anaconda Co.	International Nickel	Kennecott Copper	National Lead	Phelps Dodge	Revere Copper & Brass	Reynolds Metals	St. Joseph Lead	Vanadium Corp.
$ 12.0	......	$ 102.7	......	......	......	......	$ 16.0	$268.1	$ 8.5	$ 20.6
$ 7.6	$ 50.0	......	......	......	$ 34.6	......	......	$ 38.3	......	......
14,153	5,446	10,409	14,584	10,821	11,648	10,142	2,618	10,968	2,716	1,270
$ 93.3	$173.2	$ 623.2	$ 60.7	$ 53.2	$ 92.9	$126.7	$ 56.0	$393.1	$ 35.6	$ 26.9
$112.5	$159.4	$ 334.9	$379.4	$684.3	$177.1	$245.3	$ 41.9	$167.7	$ 47.0	$ 32.2
12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57
$5.77.1	$498.5	$ 570.7	$442.8	$467.9	$535.3	$287.1	$199.6	$446.5	$106.8	$ 54.6
$ 8.7	$ 10.5	$ 39.6	$ 20.3	$ 10.6	$ 9.7	$ 8.7	$ 3.5	$ 20.9	$ 2.9	$ 2.1
$ 9.9	$ 9.4	$ 35.8	$ 56.8	$ 80.3	$ 45.3	$ 27.0	$ 9.7	$ 35.7	$ 4.0	$ 2.4
$ .4	......[1]	$ 4.3	......	......	......	......	$ .9	$ 12.4	$ .1	$ .9
$ 27.5	$ 21.4	$ 44.0	$ 6.1	$ 79.2	$ 54.0	$ 44.1	$ 8.5	$ 35.9	$ 8.0	$ 4.0
4.0%	4.9%	13.8%	31.1%	33.1%	17.6%	23.3%	8.9%	18.4%	8.3%	12.8%
4.8%	5.0%	7.7%	19.4%	16.9%	10.5%	15.3%	4.2%	8.4%	7.5%	7.3%
14.3%	7.5%	5.2%	19.5%	10.7%	20.8%	11.8%	10.3%	12.8%	10.8%	10.3%
$ 1.95	$ 3.94	$ 4.23	$ 5.90	$ 7.32	$ 4.64	$ 4.48	$ 3.25	$ 3.28	$ 3.04	$ 3.15
12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57
$ 50.4	$ 20.5	$ 77.3	$158.2	$231.9	$ 38.6	$129.2	$ 6.2	$ 36.4	$ 14.1	$ 4.4
$ 47.6	$100.8	$ 86.6	$132.9	$101.6	$ 98.3	$ 72.0	$ 38.0	$103.0	$ 20.0	$ 21.5
$ 20.9	$ 32.1	$ 34.1	$ 48.2	$ 28.1	$ 46.5	$ 17.6	$ 10.1	$ 92.5	$ 8.0	$ 4.7
$132.9	$174.6	$ 269.0	$339.4	$394.8	$183.9	$220.6	$ 55.6	$239.3	$ 42.7	$ 31.9
$ 50.1	$ 64.7	$ 55.0	$ 70.0	$ 65.4	$ 70.1	$ 51.7	$ 10.8	$104.8	$ 9.1	$ 9.8
$ 82.8	$109.9	$ 214.0	$269.4	$329.4	$113.8	$168.9	$ 44.8	$134.5	$ 33.6	$ 22.1
$ 79.8	$145.9	$ 686.9	$212.8	$279.4	$118.1	$141.7	$ 35.7	$330.4	$ 31.7	$ 40.4
$267.2	$413.4	$1,029.5	$561.0	$807.4	$358.3	$423.8	$108.9	$733.2	$ 94.3	$ 72.6
$ 3.56	$ 3.70	$ 7.43	$ 10.83	$ 21.43	$ 3.31	$ 12.74	$ 2.37	$ 3.32	$ 5.21	$ 3.50
2.6	2.7	4.9	4.8	6.0	2.6	4.2	5.1	2.2	4.7	3.2
8.2%	20.2%	15.2%	30.0%	21.7%	18.3%	25.1%	19.1%	23.0%	18.7%	39.9%
35.8%	57.7%	32.2%	39.1%	25.7%	53.4%	32.6%	68.2%	43.0%	46.9%	67.5%

[1] Subsidiary preferred stock.

Discouraging Position of Lead and Zinc

If the copper situation gives worry, the lead-zinc situation is worse. Sales of zinc in March were probably the lowest ever recorded in a single month. Stocks in the hands of the producers were the highest since August, 1954. While production was down thanks to substantial cutbacks by the mines still operating and the forced closures by small marginal producers, it was still in excess of demand when imports of metal and concentrates are added to domestic output.

For lead the situation was no more encouraging—probably worse. Stocks of metal were at the highest level since July, 1939 and shipments of domestically produced lead in March were the lowest for eight years.

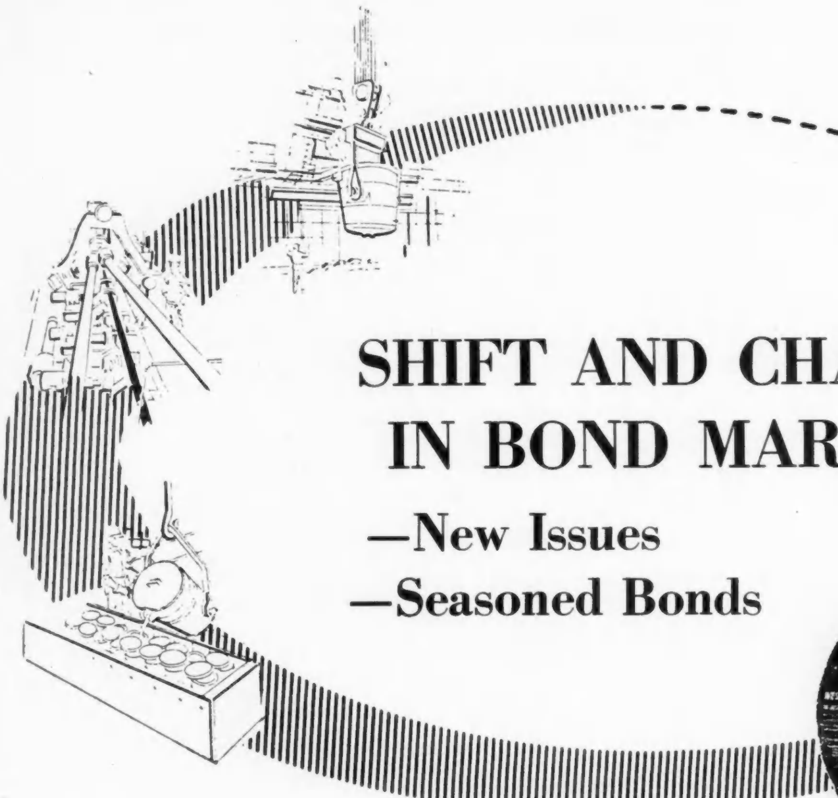
To make matters worse for unhappy producers of both lead and zinc, the Government announced an early end of buying for the stockpile, which has been in progress for the last few years and which has been the largest factor in maintaining the domestic price for both metals, substantially higher than what prevails abroad. The immediate effect of the announcement was a cut in the price of lead to 12 cents a pound, now at the lowest level since 1953. Even at this figure it appears profitable to import lead from London into this country after paying present tariff of 1.06 cents a pound, freight, and handling.

Were it not for the virtual certainty of a tariff increase of 2.55 cents a pound on lead and 2.16 cents on zinc the plight of the domestic producers would be desperate indeed. In mid-June 1957 the Administration suggested higher rates on both metals to Congress but action was referred to the Tariff Commission. Recommendation was expected before the end of 1957 but as yet has not been forthcoming. Because of political pressure in Washington stirred up by widespread unemployment in the lead-zinc areas it is confidentally expected that higher tariffs will be enacted without much opposition. Whether the proposed rates will be higher enough to lessen the flood of imports from foreign mines with ore containing a relatively much higher metal content remains to be seen.

In any event the road back for zinc-lead miners appears arduous. Some important markets are threatened by competing metals. Lead has lost a .portion of its market for cable sheathing to aluminum and plastic. Zinc for die-casting is similarly confronted with sharp competition from aluminum in that field and the recent cut in the aluminum price will be of no benefit in meeting it.

Price Cut Blow to Aluminum Makers

The reduction in price of 2 cents a pound for aluminum ingots instigated by Aluminium Ltd. was a shock to the industry, not only by its timing but by its amount. It was the first price decline for the metal since 1941. Prices had advanced quite regularly since 1948 when it sold at 15 cents a pound, through August 1957 when the market was set at 26 cents for pig and 28 cents for ingot, but the advances had been moderate, about ½ to 1 cent a pound when changes (*Please turn to page* 170)



SHIFT AND CHANGE IN BOND MARKET

—New Issues
—Seasoned Bonds

BY JAMES T. BELL

THE Federal Reserve Board's tight money policy of 1956-57 plus the great demand for new capital resulted in declines over a wide front in corporate, municipal and U. S. Government bonds, pushing interest rates to the highest levels in many years.

This tight money policy aroused a storm of protest from many business quarters as recessionary tendencies took hold, for it was felt that the increased cost of financing was a contributing factor toward limiting business. In November, 1957, the FED did an "about-face" and took a series of steps to reduce the discount rate and to lower bank reserve requirements. This sparked a rise in the bond market and a concurrent reduction of high interest rates.

And now with nearly four months of 1958 behind us, it is well to re-examine the situation.

As to the money market, it is generally accepted that money will become easier in the next four to six months. This will again be accomplished by Federal Reserve action. In addition, the lower level of demand for business loans due to the recession as well as curtailed expansion programs is likely to contribute to the new easing.

The gradual reduction of the discount rate from the 3½% level of last summer to its present rate of 1¾%, plus the reductions in member bank reserve requirements, tended to stabilize and then strengthen many sections of the bond market. Average high-grade corporate bond yields presently are nearly half a point below their peak of 4.51% set late last year, with prices correspondingly better. Longer range Treasury Bonds, which showed a return of 3.22% at the end of 1957, currently yield 3.09%.

The steady decline in bond demand for most of 1957 produced a rise in interest rates for corporations seeking new financing.. Early in November American Telephone and Telegraph brought out a 5% debenture and this high-grade issue had great difficulty in being placed. But after the Federal Reserve reversed its money policy this issue was quickly over-subscribed. Other corporations have now taken advantage of better market conditions and are issuing bonds at lower rates in line with prevailing conditions, thus effecting substantial savings for corporate financing needs.

This more favorable climate has in the past few months brought a rush of some $300,000,000 in industrial bond offerings, and after a period of digestion these have now been absorbed and the demand for new long-term corporate capital is improving again.

The recent flotations of bonds of high-grade corporations now yield at about the 4% level. With recent offerings well distributed, and fewer corporate offerings anticipated, yields may decline further, provided there is no up-swing in general business.

Recent New Bond Offerings

Some of the better grade issues recently released appear attractive for the individual investor. The AA bonds of Aluminum Company of America were recently sold and are currently traded around 101 with an interest rate of 3⅞%. These bonds now yield about 3.80% which is somewhat higher than other AA bonds. Although earnings of the Aluminum Company will be somewhat lower, interest coverage on these bonds should be earned by a comfortable margin. Sinking fund purchases will retire about 26% of Alcoa's debt in the next six years. This particular issue, however, is not callable for the sinking fund until 1960. The continual reduction in debt over the next several years should strengthen the position of this issue.

Another AA bond issue sold recently, for which there was a good demand, was the American Can debenture 3¾ of 1988. This $80 million issue was offered publicly at 100, and was quickly oversubscribed despite its low yield, but may hold up well under prevailing conditions. This bond is not callable until April 1, 1963.

Somewhat lower in quality, but with a correspondingly higher interest rate are the new $60 million issue of Douglas Aircraft 5% bonds due 1978. The offering price on these bonds was 100, and they hold appeal for their high yield. The company has a backlog of about $1.8 billion which should be supplemented by additional Government orders. The present backlog is about 50% commercial which is mainly for new jet transports. Delivery of these newer, speedier planes is scheduled to commence in January of next year and of course earnings will be buoyed accordingly. Sinking fund purchases on this issue also do not commence until April of 1963.

More speculative, but an interesting stake in the Canadian oil industry, was the recent distribution of $30 million of Pacific Petroleum 5½s. In addition to the unusually high interest rate, each bond carries twenty warrants to purchase common stock at a price of $19 from November 1, 1958 through March 31, 1968. The bonds were offered at $102.05 on April 10 and are presently quoted around that figure.

A Review of Previous Bond Issues

Among the seasoned better grade issues which seem reasonably priced are American Telephone & Telegraph debenture 4⅜–1985 priced to yield about 4.10%; Florida Power and Light 4⅛–1988 which yield about 4.00%; Procter & Gamble 3⅞–1981 which yield about 3.75%, and Union Electric Company of Missouri 4⅜–1988 yielding about 4.05%. (All yields to maturity.) With only an A rating but rapidly gaining greater investment stature are the Columbia Gas 4⅜–1983 which sell a shade over par to yield 4.35%. Going down the list a step further in grade a more recent issue—Sylvania Electric 4¾–1980 also sell around 100 to yield 4.75%.

Some of the better grade convertible bonds provide a good return even though they should not at this stage be purchased with the thought of the convertible privilege. But many are too high now for purchase and speculative bonds are sometimes almost as volatile as common stocks. The railroad bond market in some cases recorded price drops of as much as 40-50% with many marginal issues selling at receivership levels. From the standpoint of interest coverage and net working capital position this low investor appraisal (*Please turn to page* 174)

Recent New Corporate Bond Issues

Date of Offering	Amount (mil.)	Description of Issue	Offering Price	Recent Price
1958				
Jan. 8	$ 30	Connecticut Light & Pr. 1st Ref. 3⅞s 1988	99¾	103
Jan. 14	40	West Va. Pulp & Paper Deb. 4s 1978	99¼	102½
Jan. 21	75	Pacific Gas & Elec. 1st Ref. 3¾s 1978	101.45	100¼
Febr. 20	25	N. Y. State Elec. & Gas 1st 3⅞s 1988	101.335	101½
Feb. 18	150	General Motors Accept. Corp. Deb. 4s 1979	98½	99
Feb. 27	30	United Gas Corp. 1st Coll. 4¼s 1978	101.349	102¼
March 6	40	Olin Mathieson Chem. cv. Sub. Deb. 5½s 1983	100	98
March 6	35	Union Elec. Co. 1st 4⅜s 1988	102.623	106
March 4	30	Baltimore Gas & Elec. 1st Ref. 4s 1993	101.134	103
March 7	30	Columbia Gas System Deb. 4⅜s 1983	99.623	101½
March 5	40	Ohio Edison Co. 1st 4¼s 1988	101.706	105
March 11	20	Sylvania Elec. cv. Sub. Deb. 4½s 1983	100	100¼
March 26	50	Richfield Oil Co. Sub. Deb. 4⅜s 1983	100	109¼
April 9	80	American Can Deb. 3¾s 1988	100	101
April 11	125	Aluminum Co. of Amer. Sf. Deb. 3⅞s 1983	99.60	101
April 10	60	Douglas Aircraft Sf. Deb. 5s 1978	100	100½

List of Seasoned Bond Issues

Description of Issue	Price Range 1958	Recent Price	Yield to Maturity
Best Grade			
Cleveland Elec. Illum. 1st 3⅞s 1993	102 -100⅞	101	3.81
Consolidated Natural Gas Deb. 3⅛s 1979	—	93	3.60
General Electric Co. Deb. 3½s 1976	100⅜- 98⅜	99	3.56
Standard Oil of N. J. Deb. 2⅜s 1971	89⅜- 87½	88	3.51
Good Grade			
American Tel. & Tele. Deb. 4⅜s 1985	106¼-103½	104	4.10
Continental Oil (S. F.) Deb. 3s 1984	92⅜- 90	90¾	3.50
Kimberly-Clark Corp. (S. F.) Deb. 3¾s 1983	101¼- 99¼	100	3.72
Procter & Gamble Co. Deb. 3⅞s 1981	104⅞-102	102	3.74
Medium Grade			
Atlantic Refining Co. (Conv. Sub.) 4½s 1987	109½-106½	107	4.05
Commercial Credit Co. (Senior) 4½s 1978	101 - 98½	101	4.02
Flintkote Co. (S. F.) Deb. 4⅜s 1977	103½-102	104	4.01
United Gas Corp. (1st & Coll.) 4½s 1978	101⅜- 99¾	101⅜	4.15

FOR PROFIT AND INCOME

Sensible

On the whole, sensible investment attitudes are reflected in the market's cross-currents, with the divergences geared pretty much to realities rather than to emotional hopes or fears. Where earnings look good and are valued within reason, the average investor is sitting tight or adding to holdings. Where prospects look poor and/or valuations of earnings look unrealistic, the movement of money is out of stocks on balance. There is no general index of stocks with well-maintained or rising earnings; but the utility average is fairly typical of their performance in recent months. At this point, 9 months after the industrial average made the July, 1957, triple-top, it is in new high ground. So are a sizable number of industrials with maintained or uptrend earnings. It was not always so. In older markets, whatever happened to earnings, so-called defensive stocks went down plenty. For instance, 9 months after the general market's 1929 top the utility average was down over 34%; 9 months after the 1937 top it was down 42%; 9 months from the 1939 top it was off 29%; and 9 months after the 1946 top it was down 16%. Contrasting with that, the comparable 9-month decline in 1948-1949 was 4% and that in 1953 (mostly under tight-money conditions) was about 8%. Probably it can be said in general terms that the market has become more intelligently discriminating than ever before. Those who "play it" as a general bear market will remain wrong.

Addenda

Speaking of utilities, the bargain-buying time—the late months of 1957, in which a number were recommended here—is, of course, gone. But in comparison with their past bull-market highs, valuations are not yet extreme either in terms of price-earnings ratios or yields. The latter currently average about 4.7%. Valuations should take into account the industry's proven stability in recessions, and the fact that it is a slow-but-sure growth industry. On the whole, these stocks have served investors well through the long inflation. The net rise of representative electric power issues from the average 1939 level is 95%, against a 51% fall in the

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1957	1956
Brunswick-Balke Collender	Year Dec. 31	$5.53	$2.93
Skelly Oil Co.	Year Dec. 31	6.40	5.93
Standard Oil of California	Year Dec. 31	4.56	4.24
United Aircraft	Year Dec. 31	7.96	5.87
Holland Furnace	Quar. Dec. 31	.55	.34
Hershey Chocolate Corp.	Year Dec. 31	6.03	5.17
Chance Vought Aircraft	Year Dec. 31	5.65	3.81
American Machine & Foundry	Year Dec. 31	3.51	3.03
Cannon Mills	Year Dec. 31	6.30	5.16
Thiokol Chemical	Year Dec. 31	1.41	.95

value of the dollar; that from the average 1946 level is 69%, more than balancing a 32% dollar depreciation over this period. From 1939 through 1957 the industry's total dividend payments on common stocks rose 184%; while from 1946 through 1957 they rose 157%. Among others, such income utilities as Cincinnati Gas & Electric, Consumers Power, Duquesne Light, Interstate Power, Northern States Power, Ohio Edison, Public Service of Indiana and Washington Water Power remain fairly attractive on a yield basis, even though materially less so than a few months ago. Keep in mind that the cheaper-money period figures to continue through 1958 and possibly well into 1959.

Groups

Stock groups performing better than the market at this time—largely for technical reasons in most cases—include aircraft, coal, confectionery, containers, drugs, oils, rail equipment, shoes, textiles, tobaccos and variety chains. Of these, the only ones which have strongly-established uptrends based on earnings are drugs and tobaccos. Groups behaving worse than the market at this time—in most cases for basic rather than transient technical reasons — include: air transport, aluminum, automobiles, auto parts, chemicals, coppers, electrical equipment, machine tools, metal fabricating, office equipment, paper and steel. Some of the market sickness of the automobile group has begun to infect the finance company stocks. Some groups which have had sizable earlier gains are "taking a rest" at the moment, including baking, dairy products, food brands and food stores.

Textiles

While still far down in their postwar ranges, textile stocks recently have had the best rally in a long time. It is founded on hopes of an upturn in the industry by the late months of 1958, and on the fact that the stocks had been not only over-sold but apparently sold out. Because of the depletion of trade inventories and the wearing out of consumers' clothing, past deflation cycles in the industry have usually run for no more than 12 to 18 months. This one will have continued for about 24 months by mid-1958. So an upturn, based on some trade inventory expansion and firmer prices, seems likely in the second half and mostly in the seasonally-active fourth quarter. Some companies conceivably might earn more in the final quarter, given any sizable sales upturn, than in all of last year, when total industry profits fell more than 20%. But a word of caution is in order. Hinging on general business sentiment and consumer spending, any betterment might be both small and temporary. It is an industry of large over-capacity, able to meet bulges in inventory demand in no great time. With supplies now readily available at cut prices, and no new business boom foreseeable by the fourth quarter or for a more extended time to come, it is hard to see why distributors should veer much from hand-to-mouth buying. The stocks have had substantial rallies, averaging roughly 20% from this year's lows, which were moderately above the bear-market lows set on tax selling last December. They may well have "jumped the gun," as did the copper stocks earlier, prematurely discounting possible profit betterment many months in advance. Hence, the rally could peter out quickly and be partially cancelled.

Variety Chains

Through an inflationary period and a series of bull markets, the variety store stock group has trended irregularly downward, deteriorating sharply in relative market position, over a long period of years. Its best postwar level, attained as far back as 1950, was more than a third under its 1929 top. As in all retailing fields, best profits were seen in the early postwar years, generally in 1946-1947-1948. Subsequent downtrends were arrested or mildly reversed during the last two or three years in some cases (by no means all) by store expansion in favored suburban areas, other store improvements, broadening merchandise lines and a growing shift to semi-self-service units similar to familiar super-market practice. Probably earnings of leading chains will hold up fairly well this year; present dividends appear adequately protected; and yields are generally high, ranging from close to 6% for the best of the stocks to more than 7% in more dubious situations. Present preference for "defensive" income stocks explains the group's recent improvement in market position, as represented by a rally of over 20% from the low recorded last December at the poorest level seen since 1944. The companies which have done best in maintaining or modestly bettering earning power during the last several years are Grant, Kresge, Newberry and Woolworth. The showing of Green, Kress and Neisner has been poor to indifferent. People who bought variety chain stocks anywhere near their highs of 1929, 1937, 1946 or of the early postwar years did not find them to be defensive at all. It may be that the operational changes, forced by competitive pressures, will bolster basic earning power or check further long-run deterioration; but there is nothing dynamic in this picture. The high stock yields may look inviting to some, but yields much above average are always warnings that something is the matter. For income investment we prefer electric utilities, gas distributors, small-loan stocks, some food stocks and the top cigarette issues, among others.

Sit Tight

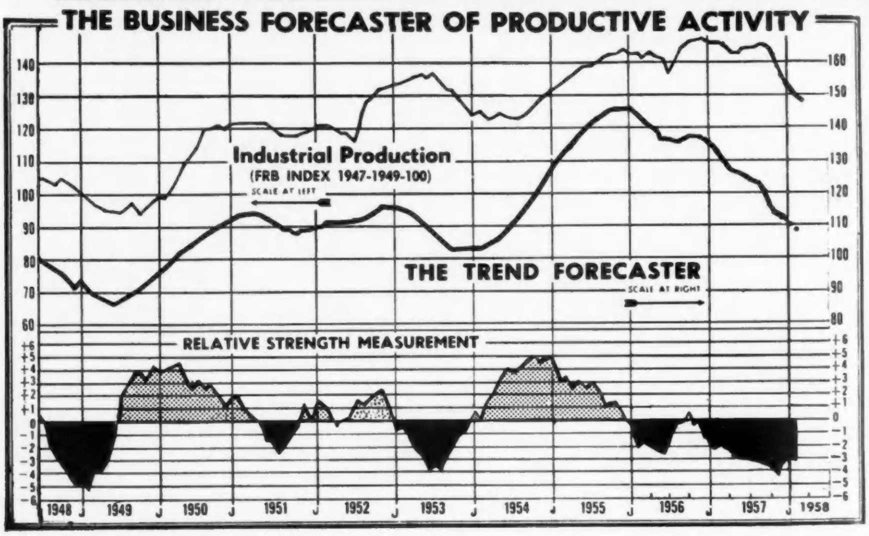
Lorillard has backed off from recent all-time high of 55¼ to around 51 at this writing. Profit taking was induced by a recent management statement that,

(*Please turn to page* 175)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1957	1956
Evans Products	Year Dec. 31	$1.66	$3.31
Pet Milk Co.	Year Dec. 31	4.89	5.77
Fibreboard Paper Prod.	Quar. Dec. 31	.45	.84
Hammermill Paper Co	Year Dec. 31	2.04	4.04
Industrial Rayon Corp	Year Dec. 31	.65	2.45
Neisner Brothers, Inc.	Year Dec. 31	.79	1.50
Kress (S.H.) & Co.	Year Dec. 31	3.00	3.48
Anderson-Pritchard Oil	Year Dec. 31	2.93	3.41
Ekco Products	Year Dec. 31	2.67	3.77
Lowenstein, (M.) & Sons	Year Dec.31	1.07	1.98

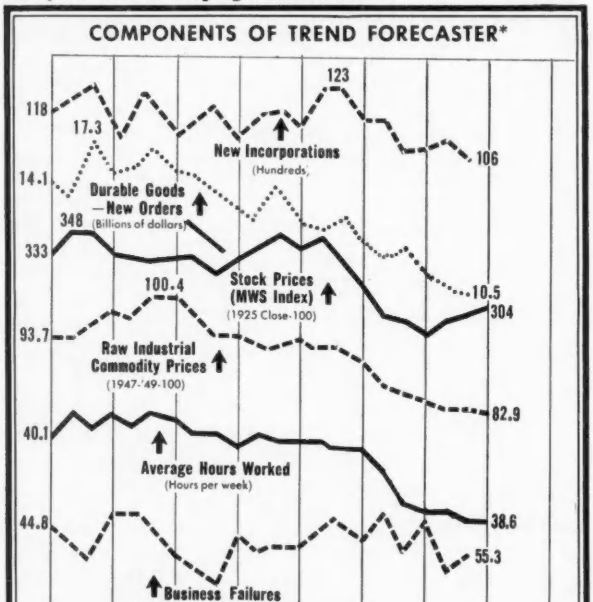
the Business



Business Trend Forecaster *

INTERESTING TO NOTE – The rise in industrial production line between 1956-57 was offset by economic decline in that period, accurately forecasting heavy inventory accumulations.

*With the many revolutionary changes in our economy, it was evident that various indicators previously used should be dropped and new ones substituted, in order to more accurately forecast developing business trends.



(*)—Seasonally adjusted except stock and commodity prices.
(a)—Based on F. W. Dodge data. 2 month moving average. In constant dollars.

This we have done in our new *Trend Forecaster* (developed over a period of several years), which employs those indicators (see Components of Trend Forecaster) that we have found to most accurately project the business outlook.

As can be seen from the chart, industrial activity in itself is not a true gauge of the business outlook—the right answer can only be found when balanced against the state of our economy. The *Trend Forecaster* line does just that. When it changes direction up or down a corresponding change in our economy may be expected several months later.

The depth or height of the developing trend is clearly presented in our *Relative Strength Measurement* line, which reflects the rate of expansion or contraction in the making. When particularly favorable indications cause a rise that exceeds plus 3 for a period of time, a strong advance in general business is to be expected. On the other hand, penetration of minus 3 on the down side usually precedes an important contraction in our economy.

We believe that subscribers will find our Business Trend Forecaster of increasing usefulness both from the investment and business standpoints.

Current Indications of the Forecaster

At the end of the first quarter, only two of the eight components of the trend forecaster (stock prices and nonresidential construction) are in an uptrend, and both of these upturns have an indecisive appearance. Speaking generally for the last six months, the key downtrends in the series have been in durable goods orders (which have been subsiding irregularly for well over a year), housing starts and raw industrial commodity prices. These series have accurately and persistently forecast serious recession in the first half of 1958, and they have been well confirmed by the trend in two subsidiary series, new incorporations and business failures. Raw commodity prices have also been declining almost steadily for over a year, but have flattened out in recent months; average hours worked, after breaking sharply in late 1957, have recently stabilized, and in March improved slightly. Stock prices reached a trough in December, and swung upward through March, but the trend thus far in April points to a downturn.

The **Relative Strength Measurement** remains in a decidedly negative range and has virtually foreclosed the possibility of an important recovery for business before Fall.

Analyst

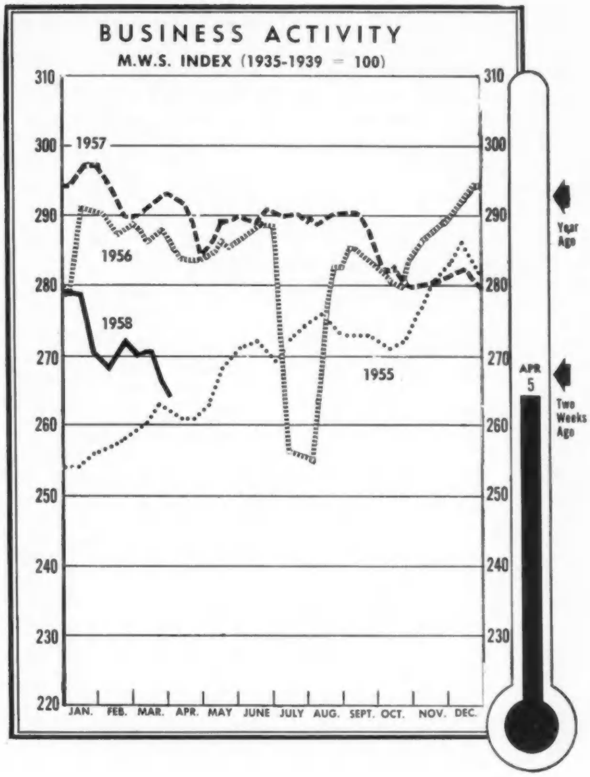
CONCLUSIONS IN BRIEF

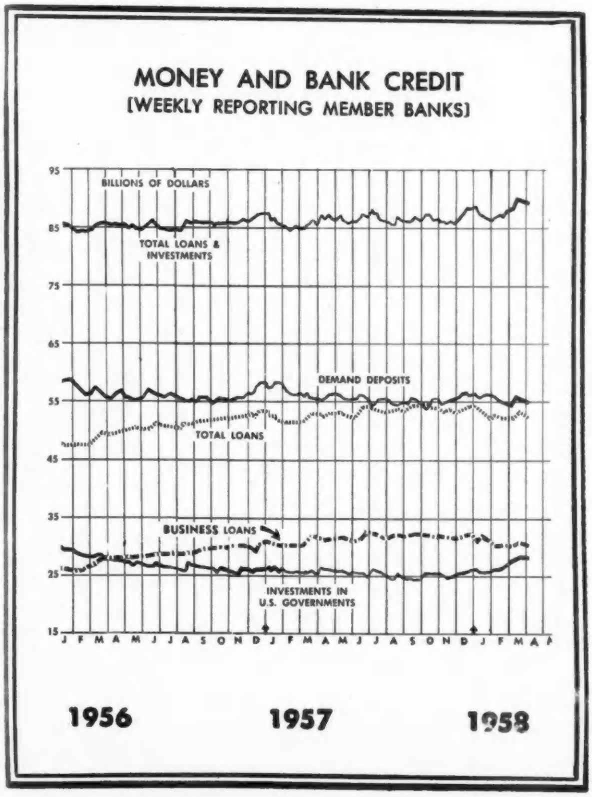
PRODUCTION—Output rates in manufacturing declining, but not as rapidly as in the October-March period. Slower rate of fall already apparent in March, with FRB production index off 2 points, versus 3 point drop the previous month. Outlook: A much slower and more selective decline into the Summer.

TRADE—Retail sales continue sluggish, especially for hard goods, but bulk of the drop is now in the past. Expect a more stable rate of sales to rule for the next three months.

MONEY & CREDIT—Basic interest rate structure is still subsiding, with a reduction in the prime lending rate in the offing. Long-term funds increasingly available for mortgages, state and local borrowing.

COMMODITIES—Wholesale price level beginning to ease slightly. Industrial raw material prices already well deflated but weakening in prices of finished goods should spread. Prices of farm products and foods have been bolstered by crop damage this past winter, but increased supplies will be arriving soon, putting downward pressure on this sector.





As of April, the parallels with, and distinctions from, the two earlier postwar recessions of 1949 and 1954 have emerged much more clearly. They now deserve close inspection.

Unlike the two earlier recessions, 1958 is marked by an independent and impressive decline in the demand for plant and equipment. Even existing surveys point to a fall in the rate of business investment of perhaps 13%, on average; but a survey taken today would doubtless point even lower. There is little or no intelligent basis for hope that the rate of expenditures for new productive facilities will stop falling during 1958, much less begin to rise. In both earlier recessions, plant and equipment demand held at reasonably strong levels; it reflected these recessions in some degree, but played no role in causing them.

Secondly, the rate of personal consumption—especially for durable goods—has been declining rather steadily in this recession and at a much more rapid rate than in 1954. In 1949, the rate of personal spending actually rose almost steadily throughout the recession.

Thus, end-product demand has declined notably this time, whereas it remained firm in the two predecessor recessions. With respect to both plant and equipment and personal consumption, the present adjustment thus appears to be related to long cycles of demand that take their trajectory from the supply stringencies of World War II. **Correction of such long-term distortions is what is giving the current recession its severity.**

The final difference is one of degree and is not yet entirely clear. As of the spring of 1958, business inventories are being reduced at what appears to be the fastest rate in history. While inventory levels are still high, and while

(Please turn to following page)

Essential Statistics

THE MONTHLY TREND	Unit	Month	Latest Month	Previous Month	Year Ago
INDUSTRIAL PRODUCTION* (FRB)	1947-'9-100	Mar.	128	130	145
Durable Goods Mfr.	1947-'9-100	Mar.	135	137	163
Nondurable Goods Mfr.	1947-'9-100	Mar.	124	125	131
Mining	1947-'9-100	Mar.	113	119	132
RETAIL SALES*	$ Billions	Mar.	15.9	16.1	16.3
Durable Goods	$ Billions	Mar.	4.9	5.1	5.1
Nondurable Goods	$ Billions	Mar.	11.0	11.1	10.6
Dep't Store Sales	1947-'9-100	Mar.	130	124	137
MANUFACTURERS'					
New Orders—Total*	$ Billions	Feb.	24.0	24.3	28.6
Durable Goods	$ Billions	Feb.	10.5	10.7	14.1
Nondurable Goods	$ Billions	Feb.	13.5	13.6	14.5
Shipments*	$ Billions	Feb.	25.6	26.3	29.5
Durable Goods	$ Billions	Feb.	12.0	12.6	14.8
Nondurable Goods	$ Billions	Feb.	13.6	13.7	14.7
BUSINESS INVENTORIES, END MO.*	$ Billions	Jan.	90.0	90.7	89.3
Manufacturers'	$ Billions	Jan.	52.9	53.5	52.4
Wholesalers'	$ Billions	Jan.	12.6	12.7	12.9
Retailers'	$ Billions	Jan.	24.5	24.5	24.0
Dept. Store Stocks	1947-'9-100	Jan.	147	150	151
CONSTRUCTION TOTAL	$ Billions	Mar.	3.4	3.1	3.3
Private	$ Billions	Mar.	2.4	2.3	2.4
Residential	$ Billions	Mar.	1.2	1.1	1.2
All Other	$ Billions	Mar.	1.2	1.2	1.2
Housing Starts*—a	Thousands	Mar.	880	890	933
Contract Awards, Residential—b	$ Millions	Feb.	727	777	875
All Other—b	$ Millions	Feb.	1,226	1,289	1,286
EMPLOYMENT					
Total Civilian	Millions	Mar.	62.3	62.0	63.9
Non-Farm	Millions	Mar.	50.2	50.2	51.9
Government	Millions	Mar.	7.5	7.5	7.4
Trade	Millions	Mar.	11.2	11.2	11.3
Factory	Millions	Mar.	11.6	11.8	13.1
Hours Worked	Hours	Mar.	38.5	38.4	40.1
Hourly Earnings	Dollars	Mar.	2.10	2.10	2.05
Weekly Earnings	Dollars	Mar.	80.85	80.64	82.21
PERSONAL INCOME*	$ Billions	Mar.	341	342	340
Wages & Salaries	$ Billions	Mar.	233	234	237
Proprietors' Incomes	$ Billions	Mar.	51	51	51
Interest & Dividends	$ Billions	Mar.	32	32	31
Transfer Payments	$ Billions	Mar.	24	24	20
Farm Income	$ Billions	Mar.	17	17	16
CONSUMER PRICES	1947-'9-100	Feb.	122.5	122.3	118.7
Food	1947-'9-100	Feb.	118.7	118.2	113.6
Clothing	1947-'9-100	Feb.	106.8	106.9	106.1
Housing	1947-'9-100	Feb.	127.3	127.1	124.5
MONEY & CREDIT					
All Demand Deposits*	$ Billions	Feb.	105.4	104.6	106.9
Bank Debits*—g	$ Billions	Feb.	79.5	84.4	84.5
Business Loans Outstanding—c	$ Billions	Feb.	30.4	30.5	30.3
Instalment Credit Extended*	$ Billions	Feb.	3.2	3.5	3.5
Instalment Credit Repaid*	$ Billions	Feb.	3.4	3.4	3.3
FEDERAL GOVERNMENT					
Budget Receipts	$ Billions	Feb.	6.3	4.8	6.2
Budget Expenditures	$ Billions	Feb.	5.5	6.0	5.7
Defense Expenditures	$ Billions	Feb.	3.4	3.5	3.5
Surplus (Def) cum from 7/1	$ Billions	Feb.	(7.2)	(8.0)	(6.6)

PRESENT POSITION AND OUTLOOK

inventory-sales ratios do not yet look at all favorable, the rapid draining of stocks is building up a basis for a recovery of business sentiment. When that recovery occurs, inventory liquidation characteristically stops. And when liquidation stops, new orders inevitably improve. The current outlook for the last half of 1958 is thus deteriorating in the areas of final demand, but improving in the area of inventory demand. What this suggests is a balanced structure by late in the year; if major contracyclical activity is engaged in by the government, the trend going into 1959 could well be moderately upward, but no rapid advance is likely until businessmen themselves increase their rate of spending for new plant and equipment.

* * *

THE FIRST QUARTER — In the January-March period, GNP was apparently at an annual rate of $424 billion, or more than $8 billion below the rate in the previous quarter. Of the $8 billion decline, about half is accounted for by a sharp increase in liquidation of inventories. The remainder reflects a further falling off in sales of consumer durables and a small decline in construction activity, offset by a slight rise in the spending of state and local governments. **Since prices continued to rise in the first quarter, the *real* decline in national output was somewhat greater than the 2% shown in the dollar figures.**

* * *

WHO'S SAVING? WHO'S INVESTING?

In recent months, consumers have continued to save at very close to the rate prevailing in 1957. At the same time, the rate of business investment, particularly in inventory, has declined precipitously. Economists say (and this time they are right) that saving and investing are merely opposite sides of the same coin. How can saving hold up when private investing is going down? Answer: Investment by the Government is rising. The recession has cut sharply into the tax base of the Federal Government, reducing its income at a time when its spending is increasing. It is thereby swinging from a running surplus (saving) to a running deficit (investing). **In fact, the Federal Government's annual rate of defiict now appears to be about $5 billion. Talk of a $10-billion tax cut is thus equivalent to talking about a $15-billion annual rate of deficit.**

and Trends

QUARTERLY STATEMENT FOR THE NATIONAL ECONOMY

In Billions of Dollars—Seasonally Adjusted, at Annual Rates

SERIES	1957 IV Quarter	1957 III Quarter	1957 II Quarter	1956 IV Quarter
GROSS NATIONAL PRODUCT	433.0(e)	439.0	434.3	426.0
Personal Consumption	282.5(e)	283.6	278.9	272.3
Private Domestic Invest.	61.0(e)	65.5	65.0	68.5
Net Foreign Investment	2.5(e)	3.2	3.5	2.4
Government Purchases	87.0(e)	86.7	86.9	82.8
Federal	50.0(e)	50.6	51.1	49.0
State & Local	37.0(e)	36.1	35.8	33.9
PERSONAL INCOME	344.5(e)	346.5	342.4	334.5
Tax & Nontax Payments	43.5(e)	43.6	42.9	40.5
Disposable Income	301.0(e)	302.9	299.5	294.0
Consumption Expenditures	282.5(e)	283.6	278.9	272.3
Personal Saving—d	18.5(e)	19.3	26.6	21.7
CORPORATE PRE-TAX PROFITS	40.3(e)	41.8	42.0	45.6
Corporate Taxes	20.5(e)	21.3	27.4	23.3
Corporate Net Profit	19.8(e)	20.5	20.5	22.3
Dividend Payments	11.7(e)	12.6	12.5	11.5
Retained Earnings	8.1(e)	7.9	8.0	10.8
PLANT & EQUIPMENT OUTLAYS	35.5(e)	37.8	37.0	36.5

THE WEEKLY TREND

	Unit	Week Ending	Latest Week	Previous Week	Year Ago
MWS Business Activity Index*	1935-'9-100	Apr. 5	264.3	267.2	292.6
MWS Index—per capita*	1935-'9-100	Apr. 5	198.7	201.0	223.4
Steel Production	% of Capacity	Apr. 12	48.5	48.6	90.3
Auto and Truck Production	Thousands	Apr. 12	110	88	160
Paperboard Production	Thousand Tons	Apr. 5	279	269	284
Paperboard New Orders	Thousand Tons	Apr. 5	335	259	361
Electric Power Output*	1947-'49-100	Apr. 5	222.2	227.0	229.4
Freight Carloadings	Thousand Cars	Apr. 5	516	532	644
Engineering Constr. Awards	$ Millions	Apr. 10	355	599	344
Department Store Sales	1947-'9-100	Apr. 5	125	114	113
Demand Deposits—c	$ Billions	Apr. 2	54.0	54.5	55.1
Business Failures	Number	Apr. 3	352	327	231

PRESENT POSITION AND OUTLOOK

FARMERS' PRICES — Looking back at the farm-price situation, the trough in agricultural prices now appears to have occurred as long ago as the end of 1955. Farm prices have been generally rising ever since then, and are now back at levels prevailing in late 1953. Of course, the prices that farmers pay for things they buy have also been rising, and the so-called "parity ratio" is still in the low 80's. (A parity ratio of 100 implies that farm prices are in the same proportion to industrial prices as they were in the years prior to World War I which are the base years of our agricultural legislation.) The recent rise in farm prices reflects chiefly weather and the particular cycle of livestock growers, but even apart from these areas of special strength, prices of agricultural commodities seem to be firming. As a result, the income of farm operators, and the outlook for agricultural equipment and supplies has brightened somewhat.

* * *

NOTE ON WAGES: In the first quarter of 1958, average hourly earnings in manufacturing were about 2% higher than a year ago. But average hours worked by factory workers were about 5% lower and weekly earnings were therefore about 2% below earnings in early 1957. Moreover, because of the intervening rise in prices, the real buying power of weekly earnings is now about 4% less than a year ago.

*—Seasonally adjusted. (a)—Private starts, at annual rates. (b)—F. W. Dodge unadjusted data. (c)—Weekly reporting member banks. (d) Excess of disposable income over personal consumption expenditures. (e)—Estimated. (f)—Estimated by Council of Economic Advisors. (g)—337 non-financial centers. (na)—Not available. (r)—Revised. Other Sources: Federal Reserve Bd., Commerce Dept., Securities & Exch. Comm., Budget Bureau.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1958 Range High	1958 Range Low	1958 Apr. 3	1958 Apr. 11
300 Combined Average	305.9	283.9	297.6	300.6
4 Agricultural Implements	216.5	196.5	198.3	198.3
3 Air Cond. ('53 Cl.—100)	99.0	87.8	94.7	93.8
9 Aircraft ('27 Cl.—100)	1070.6	982.2	1001.8	1021.5
7 Airlines ('27 Cl.—100)	727.5	638.8	668.4	680.2
4 Aluminum ('53 Cl.—100)	309.1	253.4	268.6	266.1
6 Amusements	141.6	125.0	133.3	135.7
8 Automobile Accessories	313.2	298.9	298.9	301.8
6 Automobiles	44.2	40.8	40.8	41.5
4 Baking ('26 Cl.—100)	32.9	28.5	32.1	32.4
4 Business Machines	950.1	898.2	907.0	907.0
6 Chemicals	540.3	509.5	509.5	509.5
5 Coal Mining	20.1	18.4	19.6	19.4
4 Communications	92.4	85.7	89.9	92.4
9 Construction	122.1	107.5	115.9	115.9
7 Containers	810.3	707.3	796.6	810.3
7 Copper Mining	223.0	184.6	201.1	201.1
2 Dairy Products	128.2	115.6	127.1	128.2
6 Department Stores	88.6	78.9	87.1	87.1
5 Drugs-Eth. ('53 Cl.—100)	275.6	217.2	261.6	266.3
6 Elec. Eqp. ('53 Cl.—100)	207.2	195.8	197.7	195.8L
2 Finance Companies	635.7	568.8	613.4	613.4
6 Food Brands	293.1	255.5	285.6	288.1
3 Food Stores	215.0	182.2	209.5	209.5

(Nov. 14, 1936 Cl.—100)	1958 Range High	1958 Range Low	1958 Apr. 3	1958 Apr. 11
100 High Priced Stocks	203.1	189.7	197.4	198.8
100 Low Priced Stocks	362.5	334.7	354.7	360.2
5 Gold Mining	690.1	530.5	690.1	690.1
4 Investment Trusts	155.4	144.4	149.9	148.5
3 Liquor ('27 Cl.—100)	1029.8	913.4	976.1	976.1
8 Machinery	374.7	343.8	343.8	347.2
3 Mail Order	174.4	143.3	164.9	166.3
4 Meat Packing	146.8	123.6	133.6	140.2
5 Metal Fabr. ('53 Cl.—100)	161.1	142.2	144.9	144.9
9 Metals, Miscellaneous	305.2	276.3	281.5	281.5
4 Paper	900.7	841.8	850.2	850.2
22 Petroleum	687.6	629.7	668.3	674.7
21 Public Utilities	281.9	258.9	279.4	281.9H
7 Railroad Equipment	64.7	59.2	62.5	64.7
20 Railroads	47.1	43.0	43.8	45.5
3 Soft Drinks	524.3	445.6	519.9	515.5
12 Steel & Iron	273.3	249.3	249.3	249.3
4 Sugar	109.7	102.8	102.8	105.7
2 Sulphur	651.0	543.4	618.7	618.7
10 Television ('27 Cl.—100)	32.9	28.8	31.8	31.8
5 Textiles	121.6	106.9	116.7	121.6H
3 Tires & Rubber	160.9	142.3	142.3	142.3
5 Tobacco	132.2	110.9	132.2	132.2
2 Variety Stores	272.2	239.3	261.2	272.2H
17 Unclassif'd ('49 Cl.—100)	158.7	145.4	156.4	157.8

H—New High for 1958 L—New Low for 1958

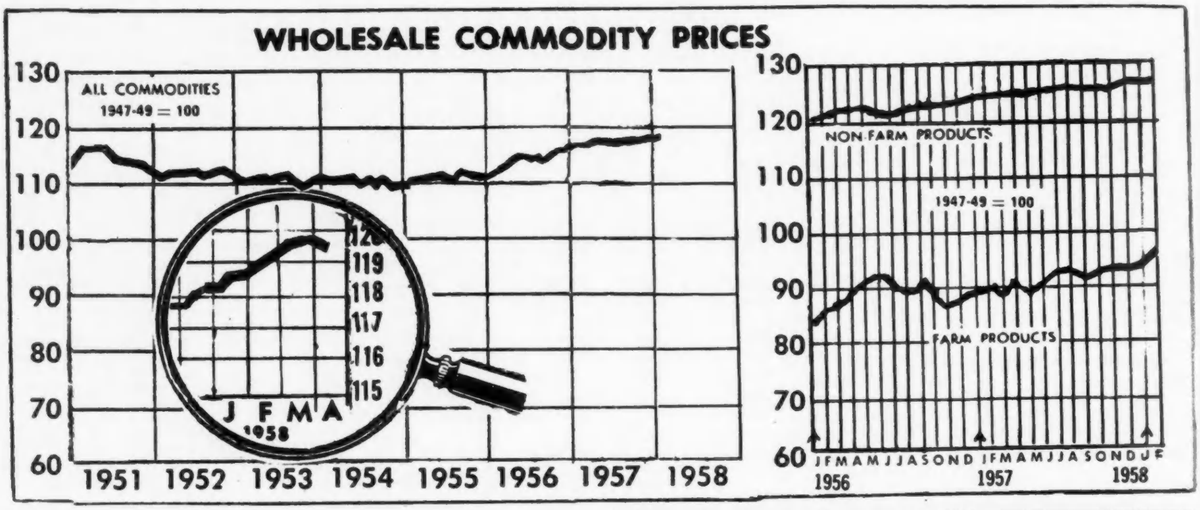
Trend of Commodities

SPOT MARKETS—The decline in sensitive commodities continued in the two weeks ending April 11, with weakness centering in industrial raw materials in general and metals in particular. Copper scrap, lead scrap, steel scrap and tin all were lower and the metals' component of the BLS daily index of 22 sensitive commodities fell 3.1%. Foodstuffs lost only 0.1%, holding the drop in the combined index to 0.7%.

Prices for the main body of commodities were somewhat lower in the two weeks ending April 8 and the BLS' comprehensive weekly wholesale price index fell 0.2%. Farm products and foods were 1.0% lower. All other commodities fell only 0.1% but prices are actually falling more rapidly than indicated, as the result of hidden price concessions.

FUTURES MARKETS—Commodity futures prices were mixed again in the two weeks ending April 11. Corn, oats, soybeans, lard and rubbed advanced, while cotton, cocoa, copper, lead and zinc sought lower levels. Wheat, wool tops and coffee were mixed with some options higher while others declined.

May wheat added 2¼ cents in the period under review but the new crop options all were slightly lower. Weakness in the latter options coincided with the U.S. Dept. of Agriculture estimate of a 964 million bushel winter wheat crop, up from the previous forecast of 906 million bushels. However, new crop prices are below 1958 loan levels and this should offer price support. Strength in the old crop May future reflected itghtening supplies which could last until the new crop is harvested.



BLS PRICE INDEXES
1947-49—100

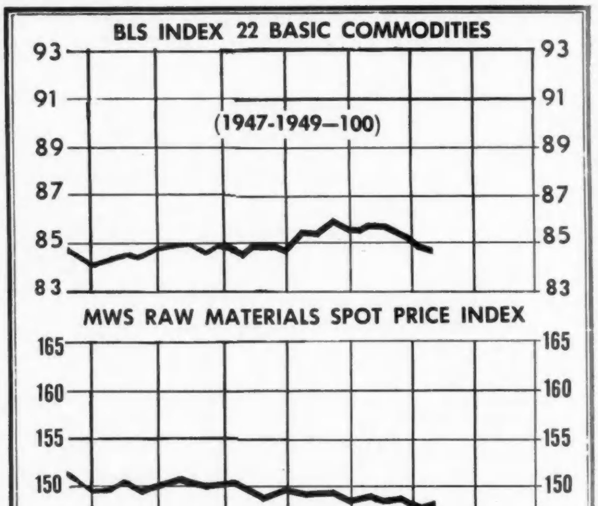
	Date	Latest Date	2 Wks. Ago	1 Yr. Ago	Dec. 6 1941
All Commodities	Apr. 8	119.6	119.8	117.2	60.2
Farm Products	Apr. 8	99.4	100.4	90.6	51.0
Non-Farm Products	Apr. 8	125.8	125.9	125.4	67.0
22 Basic Commodities	Apr. 11	84.6	85.2	89.1	53.0
9 Foods	Apr. 11	90.1	90.2	83.2	46.5
13 Raw Ind'l. Materials	Apr. 11	80.8	81.8	93.3	58.3
5 Metals	Apr. 11	81.0	83.6	108.7	54.6
4 Textiles	Apr. 11	76.4	76.1	83.3	56.3

MWS SPOT PRICE INDEX
14 RAW MATERIALS
1923-1925 AVERAGE—100
AUG. 26, 1939—63.0 Dec. 6, 1941—85.0

	1958	1957	1953	1951	1945	1941
High of Year	150.2	166.3	162.2	215.4	98.9	85.7
Low of Year	147.9	149.5	147.9	176.4	96.7	74.3
Close of Year		150.0	152.1	180.8	98.5	83.5

DOW-JONES FUTURES INDEX
12 COMMODITIES
AVERAGE 1924-1926—100

	1958	1957	1953	1951	1945	1941
High of Year	158.2	163.4	166.5	214.5	106.4	84.6
Low of Year	154.1	153.8	166.8	189.4	105.9	84.1
Close of Year		156.5	147.9	176.4	96.7	74.3



38-story bronze skyscraper at 375 Park Avenue designed by Mies van der Rohe and Philip Johnson. Associate architects: Kahn & Jacobs. General contractor: George A. Fuller Company. Architectural metals fabricator: General Bronze Corp.

BRONZE Age-old copper alloy in a brand new setting

There's a striking new face adorning Manhattan's skyline these days. It's the world's first bronze building. Radiating warmth and color, the 38-story office building at 375 Park Avenue brings forth intriguing new concepts in building design. Massive masonry walls have given way to lightweight "curtains" of glass and architectural bronze.

For bronze endures and endures . . . ages ever so gracefully. But, until recently, architectural bronze extrusions were unknown in the large sizes needed for a building like this. Formerly, bronze extrusions were confined commercially to those whose cross-section would fit in a six-inch circle.

The extrusion problem was studied intensively by Anaconda's American Brass Company. Working closely with the architects and the architectural metals fabricator, Anaconda men found the answer. Then, as principal supplier, The American Brass Company used its specially designed dies and modern extrusion equipment to produce the 26-foot-long I-shaped bronze mullions and many other extrusions that helped transform a pace-setting architectural concept into a functional and beautiful reality.

Creativity with bronze is just one more illustration of how Anaconda uses its technology to serve industry. Ranging from aluminum to uranium, Anaconda's many areas of endeavor lead the way to ever-expanding uses for non-ferrous metals and mill products . . . and to important attainments in America's pattern of progress.

The ANACONDA® Company

The American Brass Company
Anaconda Wire & Cable Company
Andes Copper Mining Company
Chile Copper Company
Greene Cananea Copper Company
Anaconda Aluminum Company
Anaconda Sales Company
International Smelting and Refining Company

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Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. The service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject to the following conditions:

1. **Give all necessary facts, but be brief.**
2. **Confine your requests to *three listed securities at* reasonable intervals.**
3. **No inquiry will be answered which does not enclose *stamped, self-addressed envelope.***
4. **No inquiry will be answered which is mailed in our postpaid reply envelope.**
5. **Special rates upon request for those requiring additional service.**

Commonwealth Edison Co.

"Commonwealth Edison Co. has been referred to me as a good quality stable income stock. I would appreciate receiving data on the company."

H. C., Asheville, N. C.

Commonwealth Edison Co. furnishes electricity in northern Illinois, including the Chicago district, the most populous part of the state. Earnings have shown good stability over the years and there has been a modest increase in each of the past three years.

Commonwealth Edison in 1957 had a moderate increase in earnings per share but failed to show any gain in earnings on invested capital. Last year's earnings per common share were $2.85 compared with $2.73 in 1956.

Operating revenues of the system in 1957 aggregated $380,090,910 compared with $360,106,248 in 1956.

Net income, after provision for preferred dividends, totalled $51,214,070, compared with $48,950,722 in 1956. Kilowatt-hour sales of the system in 1957 exceeded 19 billion kilowatt hours for the first time and were 2.6% ahead of the previous year. Kilowatt hour sales to residential and commercial customers, accounted for nearly half of last year's total. In each case the increase last year was in excess of 9%.

Industrial sales for the full year of 1957 increased 2.8% over 1956 with a 4.5% decline in the final quarter partially offsetting the gains made during the earlier part of the year.

Commonwealth spent a record $207,752,826 on new construction during 1957. This exceeded by more than 50% the previous high total of $137,300,009 in 1956.

The company's construction program for the four years 1958-1961 calls for the expenditure of $600 million.

Commonwealth in 1957 realized $76,182,704 from the sale of additional securities, the proceeds of which were applied toward the construction program. During the four years, 1958 through 1961, the system expects to sell about $285 million of securities, in addition to the $50 million of debentures sold in January, 1958, to help finance the $600 million construction program. The remaining $265 million required for the four-year program is expected to be available from funds on hand, 1958-1961 depreciation accruals, undisturbed earnings and miscellaneous sources.

Commonwealth during 1957 completed decentralization of operating and service activities into seven divisional organizations —three in Chicago and four outside.

Consecutive dividends have been paid since 1890. Current quarterly dividend is 50 cents per share. This is a good quality stable income issue.

Continental Can Company

"I have been a subscriber to your magazine for about five years and would appreciate receiving recent data on Continental Can Co. and the outlook for the company over coming months."

S. E., Los Angeles, California

Continental Can Co. was originally a manufacturer of metal containers but through a series of acquisitions, it has achieved broad diversification which includes paperboard, flexible packaging, plastic products and glass and metal containers.

Continental Can Co. net sales reached a record high of $1,046,267,000 in 1957, compared with $1,010,268,000 in 1956, although physical volume and earnings were down slightly. Results were affected by the slowdown in business activities during the latter part of the year and also in part, from the integration of two companies which were merged with Continental in 1956. The integration has largely been completed promises well for future operations.

Earnings per common share, after preferred dividends, were $3.52 on 11,202,778 shares outstanding in 1957, compared with $3.71 on 11,174,805 shares in 1956.

Earnings before income taxes amounted to $81,324,000 in 1957 and this included $2,936,000 of capital gains, realized for the most part through the sale of timberlands in Arkansas which were too distant from any of the company's kraft mills to be useful as a source of pulpwood. In 1956, capital gains totaled $1,187,000.

Metal cans represent about half of Continental sales volume and an increase in metal can prices, as of March 10, 1958, is expected to offset some of the increased costs that the company has been absorbing since the previous increase of May 1, 1957.

(*Please turn to page* 175)

A Report From National Steel Corporation

As Chairman George M. Humphrey and President Thomas E. Millsop have pointed out, the operations of National Steel Corporation in 1957 were naturally affected by the downturn in the demand for steel and reduced general business conditions that developed during the year. This trend became pronounced in its latter months.

Particularly affected were the automotive and lighter lines of steel products to which a high percentage of National's capacity is devoted. Despite this generally unfavorable background, 1957 was a year of positive results including:

Net sales totaling $640,967,342—a record exceeded only by 1956's all-time high sales volume.

The third largest tonnage in the Company's history with 5,326,425 tons of ingots.

Substantial completion of the current expansion program involving an approximate expenditure of $500,000,000.

Acquisition of a new subsidiary, Enamelstrip Corporation, of Allentown, Pennsylvania.

INCOME AND DIVIDENDS

Net income after taxes and other charges in 1957 totaled $45,518,884, equal to $6.13 per share of capital stock. Dividends of $4.00 per share were paid. Total dividends amounted to $29,667,767 and $15,851,117 was retained in the business.

Total disbursement for wages, salaries and employee benefits increased to an all-time high of $198,589,029. The average number of employees in 1957 was 27,444.

The federal, state and local tax bill was $56,045,963 with taxes continuing to exceed net earnings by a wide margin.

There was an increase in the depreciation, depletion and amortization provision to $46,266,264 from the preceding year's $45,344,338.

BUILDING PROGRAM

The current phase of National's expansion and improvement program, started in 1952, has embraced all branches of the business from raw materials to finished products and is now substantially completed. A large part of the huge cost has been paid from funds generated within the business. These funds were supplemented by financing by additional bonds issued in the amounts of $15,000,000 in 1952 and $55,000,000 in 1956. It is anticipated that no further long-term financing will be required in order to complete the program.

As a result of this great project, Mr. Humphrey and Mr. Millsop said:

"Our facilities have been raised to the highest level of efficiency in the history of our Company. When demand for steel increases we are now ready to fully utilize our enlarged steel making capacity with standards of quality and cost which are unsurpassed by anything in the steel industry."

Promising continued emphasis on National's two most important lines, namely tin plate and allied products and all kinds of flat rolled steel used by the automotive and a great many general appliance and construction businesses, Mr. Humphrey and Mr. Millsop said:

"We believe in the continued growing public demand for the products we and our customers make and in the vital and growing part in the future which they will play in American life. We will continue to devote our efforts to excel in the production and quality of these products."

1957: A SUMMARY

	1957	1956
Net sales	$640,967,342	$664,251,090
Net earnings	45,518,884	52,502,422
Net earnings per share	6.13	7.09
Total employment costs	198,589,029	194,604,451
Total dividends paid	29,667,767	29,568,645

National Steel Corporation

GRANT BUILDING PITTSBURGH, PA.

Owning and Operating

Weirton Steel Company • Great Lakes Steel Corporation • Stran-Steel Corporation • The Hanna Furnace Corporation • Hanna Iron Ore Company National Mines Corporation • National Steel Products Company Enamelstrip Corporation

Keeping Abreast of Corporate Developments

E. I. Du Pont & Co. has announced a plan to build a new plant at Old Hickey, Tennessee, to make its dacron synthetic fibre. The capacity of the new plant will be 56 million pounds of filament yarn and staple fibre a year, according to the company. Construction will be started "immediately" and first production of dacron staple is expected in mid-1959.

The new plant may well double Du Pont's dacron production capacity.

E. I. Du Pont de Nemours & Co. Inc. spent a record $220 million during 1957 in construction and expansion of plants, laboratories and service units, plus $80 million on research and development, according to Crawford H. Greenewalt, president.

General Mills, Inc., through its mechanical division has been advised by the Navy of the award of a prime contract for about $6,350,000 for production of special aircraft weapons.

The contract will probably mean "some increase" in the division's employment, but a spokesman said it is too early to say how much. The division now employs 1800 people at Minneapolis.

Beckman Instruments, Inc. has developed a mobile infra-red breath analyzer for anaesthetic control, with additional facility for diagnosis and study of pulmonary disorders.

Celanese Corp. of America has started commercial production of a new rigid polyethylene plastic said to have extra strength and resistance to stress cracking, plus good molding and extrusion properties.

General Electric Co. stated it will build a $3 million, two story plant on the outskirts of Phoenix, Arizona, to house manufacturing facilities of its computer department.

Completion of the plant is scheduled for January 1959. About 500 employees will move into the new facility and more than 100 will be hired next year to fully staff the plant, according to a spokesman.

In addition to its new line of computers for business, industrial and military uses, the G.E. department has a contract with National Cash Register Co., Dayton, Ohio, for development and production of key elements of the NCR 304, an electronic data processing system designed to provide automatic accounting, auditing, reporting and other business record-keeping functions in one continuous, high-speed operation. The first production model is scheduled for delivery in 1959.

Goodyear Tire & Rubber Co. announced a new hose made by a manufacturing process, described as the first major change in hose building since early this century, has moved from development into volume production at the company's North Chicago, Illinois plant.

Goodyear termed the new method the Acala Process. The new hose will not shrink under pressure as does conventional hose, according to Goodyear. Biggest use for this new hose, is expected to be in hydraulic and air systems. It already has been applied to power steering and truck air brake units by the automotive industry, according to the company.

Warner Lambert Pharmaceutical Co. through its Pro-Phy-Lac-Tic Brush Co. division, has developed what it terms a "radically new" kind of toothbrush with inner rolls of stiff bristles and outer rows of soft bristles.

The company claims that the inner bristles clean the teeth while the soft outer bristles massage the gums without damage. Tests were made for a year to determine the efficiency of the new brushes, now being put on the market.

W. R. Grace & Co. through its Davison Chemical division, has opened a new three building, $2 million plant at Erwin, Tennessee, for processing uranium and thorium materials for use in nuclear power projects.

Hercules Powder Co. Chemical Propulsion division has been formed to work in design and production of propulsion units for missiles and other power units and smokeless powder operations.

Royal Dutch Petroleum Co. and affiliates plan to spend about $1,120,000,000 on expansion and exploration in 1958. Royal Dutch Petroleum recently issued shares to provide its proportionate contribution.

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Program for Investors Seeking Monthly Dividends

(*Continued from page* 145)

liquid reserve fund to meet his needs and to cover the contingencies of the business recession, as well as of more normal times. Secondly, we have assumed that, in selecting individual issues for a portfolio of common stocks, the investor is dependent on the income to be received as dividends. In other words, safety of principal and dependable income are his primary investment objectives, at least to the extent that these considerations must come first, even though he may also desire moderate capital appreciation over the years. Thus, the stocks in Table I have been chosen carefully, with the emphasis on relative safety and dependability of dividends, as well as the quality of each issue.

For a 5% Yield With Security

Finally, we have assumed that the investor desires to receive the maximum income in dividends consistent with reasonable safety. It may be noted that the plan outlined in Table I provides a combined income yield of 5% on the investment at current prices. We consider that this is an excellent return under prevailing conditions for an investment-type stock portfolio. We have not been tempted to go much above 5%, as higher returns in the 6% to 7% bracket would present elements of risk not consistent with the objectives of an investor seeking dependable income, even though these risks might well be assumed by others. We have also avoided so-called "growth" stocks yielding only 3% to 4%, with one exception.

Among the most dependable income stocks in the portfolio **American Telephone & Telegraph,** at the current price of about 173, yields 5.2% on the $9.00 per share annual dividend. The stock has paid $9.00 each year without interruption since 1922. Over the years, the company's revenues and earnings have shown marked growth, but per share earnings have increased only to a very moderate extent. This has been due largely to the company's policy of keeping its equity capi-

tal in proper balance with its debt, through offering stockholders rights from time to time to subscribe to convertible issues or new stock, thus increasing the number of shares.

On the other hand, **American Home Products** has a record of outstanding growth in sales and earnings. The larger part of its expansion has been financed through retained earnings. While growth has been due in great part to development of new products, it has also been due to acquisition of other companies, mostly by issuing new shares of its own stock. However, drugs and household products are essentially different from the telephone business. Consequently, both earnings and dividends per share have increased substantially, especially in recent years. Last year, dividends of 35¢ per share were paid monthly, as well as extras of 60¢ in July and $1.20 in December, prior to the 2 for 1 stock split-up. This year to date, dividends of 20¢ per share monthly have been paid. The indicated annual dividend rate is $3.00 per share, assuming another extra of 60¢ in December, as the trend of earnings would indicate. At the current price of about 82, the yield on a $3.00 dividend is 3.7%. This relatively moderate yield reflects primarily the company's prospect of further long-term growth.

The investor may note that American Home Products is the only stock in Table I with a current yield of less than 4%. There are six stocks in the table with yields of slightly less than 5%—namely, Chase Manhattan Bank, First National City Bank (N.Y.), National Biscuit, Pacific Lighting, J. C. Penney and South Carolina Electric & Gas. The remaining ten stocks in the table yield between 5% and 6%, including Wm. Wrigley Jr. The latter represents the other issue in the table paying regular monthly dividends, as well as extras.

Examining the Earnings Background

At this point, the investor may wish to study in detail the earnings trend of each company as shown in Table II for the years 1953 to 1957 inclusive. In this period, most of the companies have a record of moderate growth in earnings per share, as might be expected for relatively stable income-type issues. A few issues in the table have shown a marked degree of growth. If attention is concentrated on recent earnings, rather than the trend since 1953, it is evident that six companies reported lower per share earnings for 1957 than for 1956. However, in three instances, net earnings available for the common stocks were higher last year in amount, even though the per share figure was lower, as a result of more shares outstanding following subscription rights. These three stocks were American Telephone & Telegraph, First National City Bank (N.Y.) and Ohio Edison. As to the other three issues, rate increases have been granted or are pending for Boston Edison and Pacific Lighting, and earnings per share of Wm. Wrigley Jr. were off last year to only a very slight extent.

In considering the investment plan presented comprising 17 stocks, an investor may desire to choose certain issues for purchase and to eliminate others. This can be done, while achieving the objective of regular monthly dividends in the same amount. First, either or both of the two stocks paying dividends on a monthly basis — American Home Products and Wm. Wrigley Jr. — could be eliminated. Secondly, any stock paying its first quarterly dividend in January, for instance, could be dropped provided two other issues, paying in February and March respectively, were also dropped. In other words, there must always be the same number of stocks—such as five or four or three—paying quarterly dividends in succeeding months.

Finally, we feel we should remind our readers that nearly all of the issues selected for our monthly dividend plan are primarily defensive type or income issues. Thus, they tend to move in price somewhat in response to changes in investment yields, in general, and money rates. Within the past year, a number of these stocks have advanced substantially in price, due to both lower money rates and also to the desire of investors for relative safety in issues paying steady dividends, during the business recession. In Table II, we have shown the 1957-58 price range of each stock, as well as the current price, for our readers' guidance.

For assistance in timing of commitments, we would refer subscribers to the Market Forecast article by Mr. A. T. Miller appearing in each issue of the Magazine.

—END

What Progress Ahead for Makers of Machinery and Machine Tools

(*Continued from page* 149)

be expended for highway construction in 1958, compared with approximately $4 billion last year. More importantly, however, a much greater share of these new funds will actually be spent for road construction than before. Since the 41,000 mile national highway network is just being implemented, as much as 65 per cent of the funds spent last year were for "rights-of-way", engineering surveys, condemnation proceedings, and other preparatory measures. This year, under President Eisenhower's prodding, however, a considerable amount of actual building will get under way.

For the producers of the equipment the increased business will be welcome balm, but even so, the field has become so competitive that profit margins will remain under pressure.

Some signs of a turn for the better are already appearing. Dealers inventories of equipment were worked down fairly well last year while production was cut back so that there is now room for large scale production runs once ordering picks up. In just the last few weeks enough new orders have begun to flow to cause many producers to increase their production schedules. Moreover, the closing weeks of February also brought a batch of new orders from the export market.

Nevertheless, the turnaround, though unmistakable, is still small. Most producers aren't taking any chances therefore, and are keeping the employment roles down until they are certain they can keep workers on their jobs for extended periods.

Special Machinery Holds Up Best

Outside of this one area, the only strong spots in the machinery field are among individual producers of specialized machinery.

American Machine & Foundry, provides an excellent illustration. Output is well diversified, but all machines produced are specialty items for such varied industrial groups as the tobacco companies, bakeries and power tool makers. Moreover, AMF enjoys a more than usual stability of earnings for a machinery company because about 15 per cent of its revenues are derived from the rental of its automatic pinspotting machines to bowling alleys all over the nation. Cigar machines are also leased, as are several others, including some used for defense purposes.

The company had a good year in 1957 when sales climbed to $227 million from $198 million the year earlier, and per share net continued to improve, amounting to $3.51 compared with $3.03 in 1957.

In the year ahead, defense business will probably slow down, and other operations are bound to be adversely affected by general business conditions, but revenues and earnings should be more stable than for most other companies in the field.

Also fortunately situated is **Worthington Corporation,** since many of its prime industrial customers are in fields that are least affected by the capital spending slowdown. Principal outlets are the utility, oil, construction, chemical and shipbuilding industries, most of which have scheduled large scale capital outlays for 1958.

Some idea of Worthington's diverse markets can be seen from a breakdown of its recent sales record. Heating and cooling equipment accounted for 20 per cent of revenues; the balance was distributed 11 per cent among the oil and natural gas producers; 13 per cent among the public utilities; 8 per cent, water and sewage disposal, and government and shipbuilders accounted for roughly 20 per cent.

Reflecting this wide base, sales climbed to $191.5 million in 1957, 13 per cent ahead of the 1956 figures. Net income advanced to a lesser degree because of higher costs, but established a new company record at $6.35 per share against $6.11 a year earlier.

On the other end of the scale, **Joy Manufacturing,** a leading producer of mining equipment is now feeling the results of the cutbacks in mining operations even though

a large percentage of its business is with the relatively active coal industry. Earnings for the year ending September 30, 1957 advanced over the previous year, coming to $6.30 per share compared with $6.10, but in its fourth quarter, and the first period of the new fiscal year substantial declines occurred.

Sales in the September quarter equalled the previous year, but net reflecting cost squeezes and tougher competition slid to $1.20 per share against $1.60 in the same period of 1956. In the December quarter, both sales and earnings were hit, however. Revenues receded to $26.5 million compared with $31.1 million in the previous quarter and $31.8 million in the same period a year earlier. The sales drop was 17 per cent, but the consequent dip in net income amounted to a hefty 38 per cent, slipping to $1.05 per share from $1.69 a year ago.

In the year ahead, volume is likely to contract further, and since production costs of many of the company's new machines are still very high, profit margins should be under heavy pressure most of the year. Financial condition is good, but before the year is out, coverage of the 90¢ quarterly dividend will be extremely narrow.

What the Future Holds

Both the machinery and tool makers have always been characterized by wide cyclical swings in the nature of their business, but the near and longer term outlook is not as bleak this time as in other recessionary periods. Foremost reason for the better tone is the enormous amount of defense spending that is being pumped into the economy regularly, assuring at least a minimal amount of new equipment business for the producers.

Of more important long term significance is the enormous potential of automation, and the promise it holds for reshaping entire industrial processes. Most of the machinery and tool makers are active in one or more phases of automatic machinery, and many of them now are working in close cooperation with electronics producers to perfect highly advanced mechanisms.

With capital spending retrogressing, the movement toward automation in industry will naturally slow down but the advantages are so great for many companies that outlays for this new type of equipment will slow down less than for other capital goods. Defense spending will serve as an additional stimulant along these lines since many of the vital components that must be produced for today's super sonic aircraft and missiles require tolerances that can only be turned out by automatic machinery.

Despite these factors, however, the near future will be one of declining earnings for most companies. A few, such as United Engineering and Foundry, which still have large backlogs on the books, will be able to maintain high shipment rates through part of 1958, but after that, reflecting the decline in new orders over the past several months, sales and earnings must begin to slip.

As in the past, the industry will use the slower period to perfect new equipment and to update its own production processes, but finances will be taxed, and dividends will be highly unstable.

The 1958 Prospects for Copper—Lead—Zinc—Aluminum

(*Continued from page* 153)

were made. Hence the 2 cent cut which was speedily met by domestic producers was definitely more than the pattern in the past.

The big Canadian producer acted avowedly because of over supply of aluminum and curtailed production at its own plants with 20 percent of their capacity idle through lack of demand. In cutting the price it followed classical economic theory that a lower price would stimulate consumption. Not all producers would agree with this, particularly in the present industrial recession, but they had no choice but to follow when Alcan made its announcement. Perhaps a more cogent reason for Alcan's decision was painful competition in Gr. Britain from offerings of Russian aluminum at a price about 2 cents per pound below its own.

That the action was generally deplored by the industry admits of little argument. However a representative of Alcoa expressed the opinion that the new price would not hold for long, and would be followed by some upward adjustment to the former level. This would appear justified only because of the wage increase to be automatically put in effect in August which will probably cost the industry $50,000,000 as it did before.

The situation with Alcan is not dissimilar to that of the producers in this country. It is well known that price cutting by the independent fabricators of extruded products has been rampant for more than a year, with bitter protests against trade policies of the integrated producers, particularly regarding hot metal contracts with some of the motor manufacturers. Cut backs in production have recently been made by Alcoa and Kaiser and some of the expansion programs have been deferred. The steady increase in production by the industry was halted in 1957 after an annual growth of about 10% for a decade. Yet some leaders in the industry expected 1958 would show higher sales than 1957 and count confidently on a 3 million ton demand in 1960 and 5 million tons in 1965. They emphasize that the historical pattern for their metal shows a greater growth than the general economy and are positive that the building, transportation, and automotive markets offer good potentials. Undoubtedly they believe this. It has been quipped that the only commodity of which the aluminum producers have a greater supply than metal is confidence.

But over the short term the outlook for the producers is not inspiring. They are confronted with over-production and forced cutbacks, a lower market price, and higher costs next August. In addition some substantial production is on the way as Ormet Co. comes on stream later this year with 180,000 tons new capacity. Starting up costs at new plants will be high and fixed charges must be met. Profit margins almost certainly will suffer and comparison with 1957 will be unfavorable. Perhaps the worst setback to investor confidence is realization that the vaunted price stability of aluminum has received a serious blow.

Looking at the longer term, the serious-minded investor has a lot of questions if he is not completely swayed by the exuberance of the aluminum producers. Will lower prices really stimulate production

in competition with copper, steel and zinc enough to employ the large increases in production capacity? Will there be enough scrap aluminum for the non-integrated fabricators and to what extent will that competition affect the big companies? And how long will the present 1.4 cents a pound tariff on aluminum continue? The present market prices for aluminum shares in spite of the drastic declines that have taken place since their sky-high prices in 1956-57 still capitalize projected earnings in 1958 at high ratios relative to other industrials. The months ahead will determine whether these prices, which appear unjustified on the present drab outlook are confidently discounting anticipated better earnings several years ahead.

Caution Advisable on Metal Shares

The same skepticism holds regarding share prices for copper and zinc producers. Analyzed on a cold fact basis present stock prices are capitalizing indicated 1958 earnings at unjustifiably high ratios. It is historically true however that price earning ratios for the metal stocks almost invariably are high in a period of low metal prices and swing the other way when they reach peak demand. Change in the metal demand supply picture appears the only certainty. Shortages and surpluses follow each other with distressing regularity in a free economy. Accepting this viewpoint present stock prices are speculative indeed, but invariably stock prices follow changes in the metal prices and psychology plays a more important part in the market than analysis of the statistics. But the short term speculator it appears too early to buy the metal shares and perhaps too late to sell them.

Gauging Second Quarter Outlook

(*Continued from page* 130)

crease in new defense orders, electronics producers generally are beginning to report a stepping up in new orders. The rate is still below a year ago but enough new business has been written to convince many electronics executives that their worst days are behind them.

Backlogs Down Sharply in Some Industries

In the highly cyclical metal-working trades the picture is totally different than in electrical equipment and electronics. Machine tool manufacturers started 1958 with backlogs equal to 89 days production compared with 163 days at the beginning of 1957. Cutting tool and gage manufacturers were down to an average of 54 days output against 78 a year earlier, and forging and foundry companies were below 65 days compared with over 100 last year. Nevertheless even within the metalworking group there are wide variations. Construction and mining machinery backlogs are off 40 percent from a year ago and machine tools are off 45 percent, but the backlogs for electric motors and controls producers are only down 17 percent, while the instrument makers report a scant 5 percent decline in backlogs.

The construction equipment manufacturers are more optimistic currently than in many months, as a result of stepped-up roadbuilding expenditures. For interesting sidelights see article on Machinery and Tool Makers on page 146 of this issue. So far the upturn is nothing to shout about, but at least the downtrend has been arrested and partially reversed.

For the nation's makers of railway equipment, however—another of the groups with sharply depressed backlogs — there are no signs whatever of a turn for the better. Railroad investment has always shown wide cyclical swings but the present one is among the most violent. Total outlays by the rails were $1.4 billion in 1957 of which over $1 billion went for the construction of 88,500 new freight cars. In 1958, the carriers have scheduled a 38 percent cut back in overall expenditures, but the outlays for rolling stock will fall even more sharply to approximately $500 million. By the end of 1957 backlogs for the rail equipment producers were half of what they were at the beginning of the year, and the outlook is for a further drop in the months ahead.

Auto and Steel Makers Hold Key

Despite the few bright spots, therefore, the outlook for industrial producers is not very bright

for the second quarter. Many factors are involved in the recessionary picture, including the overall drop in capital outlays, the consequent unemployment and the slowdown on consumer spending. Nevertheless a large part of the spending slowdown centers in just one area — automobiles. Inventories of consumer durables in the hands of dealers were $11.3 billion at the end of January, or only 5 percent above the mid-1955 figure. Compared with the 25 percent increase in manufacturers durable inventories, the retail situation is not at all serious. Moreover, a large portion of the $11.3 billion is represented by record dealer stock of automobiles, estimated at around 900,000 cars.

Obviously, then, it would take a sharp pick up in new car buying to perk up business sentiment and possibly reverse the current down-

trend. Certainly, it appears that any sharp upswing in steel production will have to wait on the car producers. Following the pattern of lower new car sales and hand-to-mouth buying policies by the car makers, steel production has slipped steadily during 1958, finally dipping below 50 percent of capacity. Undoubtedly other outlets for steel have also been disappointing to the industry but no single factor has had the impact of the decline in the automobile industry. As a matter of fact, backlogs are the lowest in years for most steelmakers, and for the first time some doubts are being expressed concerning the price increases that were scheduled for early July.

Impact of Defense Spending

In view of the pattern of new orders, inventories and backlogs that have shown up so far this year, a look at defense spending is in order to see if it is living up to its promise as a stimulant. Through November and December, when defense ordering began to pick up it was inadequate to offset declines in the civilian sector of the economy. By January a temporary lull set in and total new orders for industrial producers dropped by 7 percent. The result so far then, has been to keep new orders below shipments, so that by early 1958 backlogs for the total of all durable goods manufacturers were down to 3.7 months from 4.3 months a year earlier.

For individual industries, of course, such as aircraft and electronics, the stepped up missile program has understandably reversed the declining backlog trend. In one of the first quarterly reports released so far this year, Raytheon Manufacturing, a growing factor in both the missile and electronics fields, reported a steady pickup in business and expects to continue satisfactory operation all through 1958. Moreover, the picture should continue to brighten for these groups at least through the end of June, when government procurement spending is expected to reach its crest.

Summary

So far, the lowered rate of business activity has hit the durable goods sector the hardest. Producers of basic materials experienced the sharpest declines but all segments of durable goods were hurt to some extent. In addition consumer durables producers have also been affected further by the slowdown in personal expenditures.

In the non-durables sector the situation has not been nearly as bad, although the value of shipments through the first two months declined 9 percent from a year ago compared with 15 percent for hard goods. Nevertheless, much of the decline is attributable to the adjustment of the abnormal demand for petroleum occasioned by the Suez Crisis.

Retail sales, which aside from autos, had been holding up well, have also begun to slip, so that by February dollar volume was roughly only equal to year-ago figures after having run ahead in December and January. March and April comparisons may make even more unfavorable reading however, in view of the early Easter and the inclement weather that preceded the holiday throughout much of the country.

Under the circumstances, it is difficult to perceive any significant pickup in business, during the second quarter, other than those seasonal factors which normally come into play at this time of year. Inventory liquidation has some way to go, and consumers are still not demonstrating much buying enthusiasm.

The case for a late summer or early fall pickup, though necessarily tentative, is much better, however. By June, defense ordering will have reached its peak and a significant amount of new demand for tools and equipment should begin to be felt by the end of the summer. Moreover, within the next month or two, the auto industry must decide whether to swing into smaller model production by 1960. If the answer is yes, then a considerable amount of retooling will be necessary regardless of the level of new car sales.

In other sectors, there are also encouraging signs. The break in fair-trade pricing policies demonstrated that the public will buy at the "right prices" and has touched off a deluge of post-Easter sales that could do much to cut into the inventories on dealers' shelves in both soft goods and consumer durables. In the petroleum industry, the first real crack in the products glut occurred during the exceptionally cold month of February which increased the demand for fuel oils. Now, however, the industry reports the first real decline in gasoline stocks, lending hope that the price line can be held.

Other signs of spring are also appearing in the machine tool industry where new orders have turned up for the first time in 17 months. But perhaps the most important development is the government's new determination to hold the tax line, forcing business and consumers alike to make their own adjustment to what—after all—is just a normal swing in our economic activities, and a natural curative to the excesses we have allowed to build up during the last few years. —END

Brussels Fair — Showcase for the World

(*Continued from page* 143)

devoted to: the present state of agriculture and agricultural machinery, including a model farm; food processing; gas, electric power and petroleum; metallurgy and metal manufacturing; the paper industry and graphic arts; civil engineering; building and housing; town planning; tobacco; ceramics and pottery; chemical industry; and telecommunications. One exhibit is devoted to a description of the various types of research establishments that serve industry nowadays and the statistical methods currently being used.

An exhibit entitled "Brussels 2,000" encourages a look into the future with a scale model of the city in the 21st century, while a replica of a Belgian village of 1900 permits a nostalgic excursion into the past. As an antidote to the profusion of ultra-modern architecture, the sharpness of color contrasts and the flood of new ideas, it is likely to be one of the big popular successes of the Fair.

The Atomium

Of course, no description of the Exposition would be complete without mention of the Atomium which dominates the grounds and is high enough to be seen from vantage points in the city of Brussels itself. Although the Atomium has proved to be a disappointment

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in some respects, although three of its spheres will be bare of exhibits, it takes its place along with the Trylon and Perisphere as one of the most distinctive trademarks of all the World Fairs that have ever been held. Its originality of conception, its internal transportation system of escalators and its restaurant within the top sphere undoubtedly will cause it to be a major attraction for the 35,000,000 visitors who are expected to crowd into the first World's Fair to be held in 19 years.

Conceived and created a little more than a decade after World War II, the Brussels World's Fair cannot be dismissed as just another diversion for the curious and pleasure-seeking. Serious in intent, ambitious in scope, idealistic in purpose, high-minded in many of its sectors, it provides the alert businessman with a wonderful opportunity to compare the "old and the new" and to assess what postwar inventions have done to reshape industrial processing. This Fair can help the businessman of today plan for his profits of tomorrow. —END

Put the Billions Available to Work

(*Continued from page* 134)

revolving and management funds, $553 million obligated and $3 billion unobligated.

Weeding Out Obsolete Agencies

No one seems to know with certainty how many Federal agencies exist today. Some appear boldly in Civil Service Commission rosters and in the Budget but the great mass of them are offices buried within old established bureaus, staffed by few persons in each instance but probably adding to substantial outlays. Periodically, surveys are made and it is concluded that many have outlived whatever usefulness was seen in their creation. Congress usually intervenes to prevent wiping them out. President Herbert Hoover was frustrated in such an attempt in 1931, and Franklin D. Roosevelt couldn't get Congress to go along in 1937.

The group with this year's opportunity is the President's Advisory Committee on Government Organization. This is to be distinguished from the Commission on Organization of the Executive Branch of the Government (The Hoover Commission). It is a relatively loosely organized unit created to advise the President, the Assistant to the President (Sherman Adams), and the Director of the Bureau of the Budget "on major organizational problems and the development of proposed corrective actions by means of reorganization plans, Executive orders, and other administrative actions." Its members serve on a per diem-plus expenses basis when summoned to Washington. Congress has been asked to appropriate $57.7 million for its operations.

Some agencies come into being for a specific job, with intent that they evaporate when the chore is completed. It doesn't happen that way. A small experimental appropriation to do a job in flood control in the Tennessee Valley, for example, grew into the $100 million electric utility bought and paid for by public debt and known today as the Tennessee Valley Authority.

ICC was the first of the alphabetical agencies. A few were added in the intervening years but the bumper crop came since 1933 when the New Deal sprouted them all over the field. When FDR ran for the third term in 1940, a rundown was made: it showed of all federal agencies listed in the 1940 budget almost 50 per cent were established in the preceding 8 years.

Between 1933 and this year, more than 100 federal bureaus have been ended by the terms of their creation, or merged with other agencies by direction of Congress. But the New Deal wasn't their sole source. When Herbert Hoover went to the White House he found that in addition to the major departments with which there was general familiarity, there were 241 "sub-agencies" of lesser public note. He found many had outlived their purpose, could more efficiently and economically operate without separate identity in the flow of business of a related agency. After three years' study, he sent to Congress in 1931 a series of Executive Orders regrouping, consolidating, and eliminating Federal offices. The House didn't observe the formality of hearings before vetoing the batch.

President Roosevelt's reorganization plan of 1937 was turned down for two principal reasons: 1. Supreme Court "packing" was a part of it. 2. Congress suspected a move toward greater centralization of powers within the White House. One year later a modified plan was approved on FDR's assurance it would save the taxpayers between $15 million and $20 million a year. Within four months, 47,187 persons were added to a federal payroll, boosted by $8 million a year!

The United States today has either wholly, or in affiliation with other Nations, separate commissions on tuna fish, halibut, and salmon; it has commissions which exist to determine and handle disputes, respectively, for the Canadian and the Mexican international borders; in addition to NATO, SEATO, and UN, it has a separate Joint Brazil-United States Defense Commission, a Joint Mexican-United States Defense Commission, and a Permanent Joint Board on Defense of Canada-United States.

There is an Advisory Committee on Weather Control, a Board on Geographic Names, a Boston Historic Sites Commission, a Federal Fire Council, a National Monument Commission and several which were created to handle planning for individual monument projects.

This is not to suggest that some, or all, of these do not perform useful work. It is merely to draw attention, as was the intention of Presidents Hoover and Roosevelt, for periodic re-examination to determine whether they perform a worthy purpose, or any purpose. Even a harmful one!

Shift and Change In Bond Market

(*Continued from page* 155)

is justified. New York, New Haven & Hartford bonds were among the hardest hit with the 4s of 2007 (still paying interest) selling below 40. The New Haven presently has a deficit in its net working capital account. Delaware Lackawanna, Missouri, Kansas and Texas and Boston & Maine are also low in cash although Katy's results this year are somewhat better than expected. While there are some rail bonds which would qualify for investment accounts,

it would appear prudent to avoid the group entirely until the earnings trend is reversed.

In general, prices of better grade bonds should be well maintained over the next several months. The easier money policy of the Federal Reserve is one reason for this assumption and a continuation of the current business recession will force individuals and institutions into defensive securities. Due to conditions mentioned earlier in this article, corporations will be forced to give inducements in addition to higher interest rates to insure the success of an offering. Investors should be alert to these opportunities as they are presented. The second grade bond market will continue to fluctuate with general business and with the stock market.

Where Sales of Large Blocks Have Significance for Investors

(*Continued from page* 137)

stock is about 25. The basic business of the company is production of chlorine, caustic soda and hydrogen by the electrolysis of salt brine. From these raw products, it derives a number of chemicals and plastics. Its output has been broadened by acquisitions in recent years. The company has a record of growth. However, capacity in the chlorine industry is large and competition has been keen recently. Further, costs of the company have been in a rising trend, including power costs at Niagara Falls. Consequently, earnings for the fiscal year ended November 30, 1957 declined to $1.34 per share from $1.75 for the year previous. The latest earnings, for the 3 months ended February 28th, continued to decline to 27¢ per share from 35¢ a year ago. With lower demand from the paper industry, an important customer, and with the recession in general business, near-term prospects for an improvement in earning power are not impressive. The annual dividend rate is $1.00 per share. While the dividend is covered by a narrow margin, the regular quarterly of 25¢ per share has been declared payable May 29th. The seller of the block of stock has gained no advantage marketwise to date, although the future will determine the wisdom of his sale, if his reason was based on market considerations and the company's outlook. However, it may be said again to emphasize the point that the seller may have had one of many other reasons for his action. —END

Profit and Income

(*Continued from page* 157)

while first-quarter sales rose further, earnings (soon to be detailed) were "a fraction" under the fourth quarter's record $1.93 a share, due to enlarged outlays for advertising and promotion. Although there can be no certainty about it, our "bet" would be that emphasis on promotion will boost later results, in view of the present management's demonstrated smartness. The indicated potential is still 1958 earnings in the vicinity of $8 a share; and dividends (now $2 regular) of $3 or more. The stock has, of course, had the biggest part of its move, especially percentagewise; but it remains moderately priced. Our feeling is that it could better the present level by somewhere between 5 and 15 points during the rest of 1958. Hence, selling does not appear appropriate here.

Aluminum

The recent cut of 2 cents a pound on aluminum, first in many years, jarred the industry and unsettled the stocks. They remain very high in relation to earnings and dividends; and, in our view, among the most over-valued "growth" stocks.

"Leadership"

Some prominent stocks which have been behaving worse than the market and which do not yet look low enough to be inviting, include: Allis-Chalmers, Bendix Aviation, Armco Steel, Caterpillar Tractor, Chrysler, Douglas Aircraft, duPont, Firestone Tire, General Electric, Goodrich, Johns-Manville, Monsanto Chemical, National Lead, Union Carbide, U. S. Rubber and Westinghouse Electric.

Preference

What do we like here? For those waiting to buy common stocks primarily for appreciation, we like cash or equivalent. For conservative investors requiring income and having surplus funds to employ, we like (1) high-grade bonds; (2) good preferred stocks; (3) selected defensive income stocks in consumer soft-goods and service industries. —END

Answers to Inquiries

(*Continued from page* 164)

Management takes an optimistic view on the future and has shaped its policies on capital expenditures and other long-range commitments accordingly.

Capital expenditures during 1957 totalled $62.3 million, while an additional $13.7 million was spent on "sale and lease-back" arrangements for land and buildings. This compared with $80.5 million capital expenditures and $12.1 million on "sale and lease-backs" during 1956. Continental's program for 1958 calls for expenditures of $40 to $45 million, making a total for the three-year period of over $200 million.

A particularly large equipment replacement program was com-

pleted in the Hazel-Atlas Glass division during 1957 and a new glass plant at Plainfield, Illinois, was brought into production.

New products to be introduced in 1958 will include the first deep-drawn aluminum cans for processing meat products and large multi-wall bags. The research reactor laboratories of Industrial Reactor Laboratories, a cooperative project in which Continental is working with nine other companies and Columbia University, are expected to be completed in the third quarter of the year, and Continental scientists will use these facilities to study the effects of radiation on various forms of packaging and their contents.

Current quarterly dividend is 45 cents per share. —END

As I See It!

(*Continued from page* 125)

concern in the fact that this real GNP per capita figure fell from $1,243 in 1956 to the $1,228 of 1957. He puts forth a thesis that declining purchasing power of the currency and population growth are "substantial deflationary energies" which have produced "a latent deflation" which is bound to bring "unbearable contracting pressures."

This is too pessimistic a view. It is certainly true that in the 12 years since World War II real expansion has brought the productive capacity of the American economy into better balance with the inflated money supply and liquid asset total which resulted from World War II finance. In a sense the real economy has grown up to the inflated monetary economy which existed just after World War II. Thus the money supply in 1946 was 52.6 per cent of GNP and in 1957 was only 31.7 per cent of GNP. But this is inevitable unless we wish to keep inflating forever.

It is only if one feels that inflation is necessary for high production and employment that a cessation of forced draft inflation has to be regarded as bringing deflation. This seems to be Mr. Pick's position but it is hard to agree with him that: "At a stable purchasing power of the Dollar, the country cannot maintain full employment. A currency without depreciation, under present conditions, eliminates incentives of slow but constant price increases and leads to unemployment, eventually to a real depression. Therefore, the seemingly lesser evil of illusionary price rises, resulting in proportionate debasement of the Dollar, has become the object of government policy."

Pick further charges that: "The American currency administration will try not to proceed with measures to conserve Dollar value. The present policy, considering full employment more important than maintenance of a stable price level, will try to continue to 'improvise' actions within this framework."

This hardly seems fair to either the aims or the record of the Eisenhower Administration. First and foremost we need to remember that consumer prices were held remarkably stable from 1951 to 1956 and the country nevertheless enjoyed high levels of employment and income. Thus price stability is possible, without causing deflation if a determination to achieve it exists. The renewed rise in consumer prices, beginning in early 1956, coincided with a relaxation of budgetary discipline and an upturn in federal spending.

There is reason to criticize the Administration for letting up on its tight budget policy. But to say that the Administration considers "full employment more important than maintenance of a stable price level" is to ignore the current spectacle of the President, against a background of 5.4 million unemployed, holding out against unbelievable political pressure for all sorts of inflationary "anti-recession" expedients because he feels that they would endanger the future value of the dollar. Thus, the President pointed out April 2 that anti-recessionary measures must be weighed carefully because "if we don't approach this thing sensibly we are just building trouble for ourselves in the future." On April 10 he reiterated his conviction that hasty and ill-considered moves to fight the current recession must be avoided "because when you get very large deficits then you have to go into deficit financing, then the money supply gets much more plentiful, and . . . prices begun to go up . . . I think the possibility of an inflation under such a practice would be very greatly increased and I don't think any of us want any real inflation."

These are not the words of a man who wants full employment at any price.

It is also highly questionable whether the current recession, is as serious as Mr. Pick implies. We have, in previous articles (see issue of December 7, 1957) suggested that the recession now underway is considerably more serious than many people think. But we would not agree with Pick's conclusion that unless the recession ends by June or July "some sort of *General Moratorium of Debts* would become imperative. Should even this measure prove inadequate, some industries will have to be taken over by the government. And if there is still no apparent uptrend, the old solution of *Currency Devaluation* will be forced upon the Dollar."

A 1929 type depression might bring such consequences in its wake but fortunately there is no evidence so far to justify a conclusion that we are in such dire straits.

To sum up, Mr. Pick's analysis is valuable for the forthright way in which it pictures what has happened to the dollar over the past 17 years. This is a disgraceful record for a nation which aspires to world leadership. But there is growing evidence that we have learned from hard experience to be more careful in the future. This is not to say that prices will never rise again. But the kind of all-out inflation and bust envisioned by Pick is avoidable. He paints the danger. It is up to us and our leaders in Washington to take the steps necessary to avert it. —END

Stocks Still Too High—Why?

(*Continued from page* 127)

some 16%, compared with a gain of nearly 105% from the September, 1953, low; and with over 221% from the June, 1949 low. Thus, the buyer of the typical cyclical-type stock today assumes risk for limited profit potentials. You do not have to assume it. If normally volatile stocks do not work down to realistic and attractive levels, what's the matter with keeping your money in the safe, good-yielding income stocks we have heretofore recommended?

—Monday, April 21.


Dodgers